Ontario - Hydro - Electric
Inquiry Commission
1922-24

J. A. Ross.

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[Evidence]

HYDRO ELECTRIC ENQUIRY COMMISSION.

TOROHTO, OCTOBER 3rd, 1922.

FORT WILLIAM AND PORT ARTHUR.

456

HYDRO ELECTRIC INQUIRY COMMISSION.

Toronto, October 3rd, 1922.

Reception Room, Parliament Buildings.

Re

FORT WILLIAM AND PORT ARTHUR

P r e s e n t :

W.D.GREGORY, Esq., Chairman,

M.J.HANEY, Esq., Commissioner.

LLOYD HARRIS, Esq., Commissioner.

J.A.ROSS, Esq., Commissioner.

R.A.ROSS, Esq., Commissioner.

F.W.WEGENAST, Esq., Legal Adviser to Commission.

MORRIS, Esq., K.C., Representing Fort William,

ROBERTSON, Esq., Engineer

F.A.GABY, Esq.,
D.T.FLANNERY, Esq.,
W.W.POPE, Esq.,
R.C.McCOLLUM, Esq.
} Representing the Hydro Electric Power Commission

THE CHAIRMAN: We are taking up this morning the general economic features of the Nipigon System, and the first witness will be Mr. Clarkson.

E.R.C.CLARKSON.

TO THE CHAIRMAN:

Q--Mr.Clarkson, you are the auditor of the Hydro Electric ?

A--I am, Sir.

Q--And have been since ? A--1916.

STATE INSPECTIVE INQUIRY COMMISSION.

Toronto, Ontario Jan. 1926.

Passenger Room, Parliament Buildings.

EX.

POST-MORTEM AND FOR MARTIN

P R E S E N T :

W.L.MACKENZIE KING, Esq.,	Chairman.
H.A.BARNETT, Esq.,	Commissioner.
HUGH LOCKIE, Esq.,	Commissioner.
A.A.ROSS, Esq.,	Commissioner.
W.A.ROSS, Esq.,	Commissioner.
A.W.MCKAY, Esq., Legal Advisor to Commission.	
HUGH, Dr., K.C., Representing Sons (Plaintiff).	
JO MERRON, Esq., Engineer	
E.A.MAIN, Esq.,	Representing the Hydro Electric
D.A.MULHOLLY, Esq.,	Power Commission
H.A.TOPP, Esq.,	
E.A.MOOREHOUSE, Esq.,	

THE CHAIRMAN: We are sitting up this morning the Provincial Commission appointed of the Hydro System, and the first witness will be Mr. Clarkson.

E.H.G.CLARKSON,

BY THE CHAIRMAN:

Q.-Mr.Clarkson, you are the auditor of the Hydro Electric?

A.-I am, Sir.

Q.-And have been since? A.-1910.

Q--In 1916 what were conditions at Port Arthur ? What was the work of the Hydro Electric Power Commission at that time ? A--They had a small system there where power was bought under contract from the Kam Lake Power Company and distributed over the City of Port Arthur. The investment in that plant was $109,000 at that time.

Q--That was money advanced by the Government to the Hydro for the purpose of that system ? A--Money advanced by the Province to the Commission.

Q--How was that amount made up ? A--In what way do you mean ?

Q--In what was it invested ? A--$88,000 in transformer station; $21,000 in coal mines.

Q--Did that make up the total amount ? A--The total investment is $109,000; that total investment in that system has only increased today to $118,000, that is by $9,000 in four or five years.

Q--You do not know when that system went into operation ? That would be before your time ? A--Certainly it was, but I can give you the date. It was in 1910; I think the contract with the Kam Company was dated September 9th, 1909, and the system started in 1910. The contract between Port Arthur and the Commission was dated January 3rd, 1910, and the operation began in December, 1910.

Q--To the end of the last Hydro year, October, 1921, what was the interest of Port Arthur in that ? What did it contribute to the cost of that system in sinking fund and for other purposes ? A--$21,264 sinking fund; reserves for renewals $41,302; contingent fund $4,424; total $66,991. In addition to that on the old system, there was a surplus of $29,721 which was applied on the cost of power for the year from the Nipigon System.

Q--That was transferred by the Hydro for that purpose ?

Q--In 1916 what were conditions at Fort Arthur? What was the work of the Hydro Electric Power Commission at that time? A--They had a small system there where rather was bought water obtained from the Lake. Lake Power Company and distributed over the City of Fort Arthur. The investment in that plant was $109,000 at that time.

Q--That was money advanced by the Government to the Hydro for the purpose of that system? A--Money advanced by the Province to the Commission.

Q--How was that amount made up? A--In what way do you mean?

Q--In what was it invested? A--$93,000 in transmission stations; $21,000 in meal mines.

Q--Did that make up the total amount? A--The total investment is $109,000; that total investment in that system has only increased today to $1,000,000, that is $7 $8,000 in four or five years.

Q--You do not know when that system went into operation? That would be before your time? A--Certainly it was, but I can give you the date. It was in 1912; I think the contract with the Kam Company was dated September 6th, 1909, and the system started in 1910. The contract between Fort Arthur and the Commission was dated January 8rd, 1910, and the operation began in November, 1910.

Q--To the end of the last Hydro year, October, 1921, what the interest of Fort Arthur in that? What did it contribute to the cost of that system in sinking fund and for other purposes? A--$21,464 sinking fund; reserves for renewals $41,302; contingent fund $4,454; total $66,921. In addition to that on the old system, there was a surplus of $29,141 which was applied on the cost of power for the year from the Kipawa System.

Q--That was transferred by the Hydro for that purpose?

A--Yes.

Q--The whole of it ? A--The whole of the $29,000, yes.

Q--Had the Hydro the right to transfer the funds to be put in that system to power account ?

A--The surplus in operating ?

Q--Yes ? A--I see no reason why they had not.

Q--When we heard Port Arthur they protested against that and said it should not be transferred, that they expected to be able to apply it on the purchase of this plant themselves?

A--Pure matter of debit and account; if they are liable under their contract to the cost of the power of the Nipigon System, and the cost of the power exceeded what they paid, the Hydro as a debtor have a right, in my opinion, to apply moneys in their hands to make up their deficit. I am not here to argue legal rights.

Q--You take it that they had the right to do that ?

A--The Hydro had taken that action and I saw nothing to object to.

Q--Port Arthur is now talking of buying that whole plant ?

A--Yes.

Q--What will it have to pay for it ? A--The end of 1921, it would have to pay $51,460, and that would have been reduced by interest in the year to the extent of $1800; it would amount to about $49,600.

Q--Was that before this transfer of $29,000 ?

A--Yes, without giving any credit -- no, I am taking no account of that $29,000.

Q--What was the cost of power at that time in Port Arthur? What did they pay the Hydro for power sold to them under that old system ? A--Mr. Guilfoyle says they were paying between $20 and $21 per h.p.

Q--In fixing that price, did they include the interest on capital investment ?

A--Yes.

Q--The whole of it ? A--The whole of the $25,000, yes.

Q--Had the Hydro the right to transfer the funds to be put in that system to power account ?

A--The surplus in operating ?

Q--Yes ? A--I see no reason why they had not.

Q--When we heard Port Arthur they protested against that and said it should not be transferred, that they expected to be able to apply it on the purchase of this plant themselves.

A--Pure matter of debit and account; if they are liable on their contract to the cost of the power of the Hydro System, and the cost of the power exceeded what they paid, the Hydro as a debtor have a right, in my opinion, to apply moneys in their hands to make up their deficit. I am not here to argue legal rights.

Q--You take it that they had the right to do that ?

A--The Hydro had taken that action and I saw nothing to object to.

Q--Port Arthur is now talking of buying that whole plant ?

A--Yes.

Q--What will it have to pay for it ? A--The end of 1921, it would have to pay $81,464, and that would have been reduced by interest in the year to the extent of $1000; it would amount to about $42,000.

Q--Was that before this transfer of $25,000 ?

A--Yes, without giving any credit - no, I am taking no account of that $25,000.

Q--What was the cost of power at that time in Port Arthur ? What did they pay the Hydro for power sold to them under the old system ? A--Mr. Duffryn says they were paying between 2½c and 3½c per h.p.

Q--In fixing that price, did they include the interest on capital investment ?

MR. GUILFOYLE : I presume so; it was more than sufficient to cover it.

THE WITNESS : That was a temporary rate, and after crediting the cost against it, it left a surplus. There are two statements; you might take typewritten copies.

TO THE CHAIRMAN :

Q--These are distinct statements ? A--Distinct and different statements.

Q--You told us what Port Arthur was paying Hydro, what was the Hydro paying the Kam Power Company for the power that they sold to Port Arthur ?

A--The report says according to the terms of the contract, that is between the Power Company and the Commission, the Commission agreed to purchase 1100 h.p., and upon giving notice to increase this amount in blocks of 100, until a total of 10,000 h.p. was reached. The contract called for $17 per h.p. until the amount reached 2,000, when the rate was to be reduced to $16; a further reduction of $1.00 per h.p. was to be made when the Commission took 4,000, and a still further reduction of $1.00 when the amount reached 6,000 h.p. The Commission was required to pay for nine-tenths power ordered and held in reserve whether they took it or not.

Q--What amount of power were they taking in December,1920?

A--I do not think we reported it in that way, in 1920, but in 1921 they were taking 7,000 h.p.

Q--I thought they stopped taking it when the power from Nipigon was turned on ? A--I thought you meant what was Port Arthur taking from the Commission ?

Q--No, what was the Commission taking from the Kam Power Company ? The Power Commission of Ontario took from the Kam Power Company and sold to Port Arthur, and they continued to buy from them; you have quoted the rates until December,

1920 ? A--I should say in December, 1920, which was part of the year 1921, around 7,000 h.p.

Q--For that then they would be paying under that agreement how much ?

MR. GUILFOYLE : $14.

Q--Then the difference between $14 which the Hydro paid the Kam Power and the figure between $20 and $21 that they received from Port Arthur would represent the cost ?

A--What do you mean between $20 and $21 ?

Q--Mr. Guilfoyle said between $20 and $21 was what they charged Port Arthur ? A--Represented cost because they piled up a surplus of $29,000; it represented cost plus $29,000 over that period.

Q--That surplus went to the credit of Port Arthur ?

A--Went to the credit of Port Arthur, yes.

Q--So really the net cost of power to them was less than the figure between $20 and $21 ?

A--Your statement is correct when they piled up a surplus of $29,000; it cost the Commission less than between $20 and $21.

Q--What was the capital development in Nipigon as of October 31st, 1921, that is Cameron Falls ?

A--You mean what was the investment ? How much had been invested in it ?

Q--Yes ? A--$6,347,705.

Q--Can you say how that amount was distributed ?

A--Yes, generating plant $5,637,973.

Transmission lines	567,606
Transformer Station	142,125
Total	6,347,705.

That is the total money invested in that undertaking up to that time.

Q--How much capital investment has there been since October, 1921 ? A--$136,809 in the Nipigon; there is

$700 invested in the old system.

TO COMMISSIONER HANEY :

Q--Making a total of ? A--$136,809. That is of 31st of August. If you apply that rate for the whole year: Spent $136,809 to August 31st; to October 31st, including that amount, estimated expenditure would be $174,204.

TO THE CHAIRMAN :

Q--That would be the expenditure to October 31st ?

A--The end of this month.

Q--What was that spent for, as nearly as you can tell ?

A--I could not tell; I could find out for you.

MR. GUILFOYLE : It would be making additions to everything.

TO THE CHAIRMAN :

Q--Where did the money come from that went into the Nipigon plant ? A--From the Province.

Q--On what authority was it advanced by the Province to the Hydro Power Commission of Ontario ?

A--Under the Power Commission Act.

Q--Were there requisitions made ? A--I say under the Power Commission Act and under the Statutes because each appropriation is passed by the Legislature except where a special warrant is issued, for moneys beyond the appropriations, so that the advance would be made on the joint authority of the Power Commission Act and the Statutes, with the approval of the Legislature.

Q--This money was then advanced from time to time during construction. Do you include in this amount, the amount originally expended prior to the development of Cameron Falls on the plant that was used to supply Port Arthur when they bought power from the Kam Company ?

A--No, $118,000 is separate from the $6,347,000.

Q--If that were added, the total Nipigon development would be increased by that sum ? A--Increased by that

[illegible] invested in the [illegible] :

[illegible] :

[illegible]. [illegible] of [illegible] [illegible]. If you apply that rate for the whole year: [illegible] $126,209 to August 31st; to October 31st, including that amount, estimated expenditure would be $174,244.

[illegible] :

Q.--What would be the expenditure to October 31st ?

A.--The end of this month.

Q.--What was that spent for, as nearly as you can tell ?

A.--I could not tell; I could find out for you.

MR. MULDOON : It would be making additions to [illegible].

[illegible] :

Q.--Where did the money come from that went into the [illegible] plant ? A.--From the Province.

Q.--On what authority was it advanced by the Province to the Hydro Power Commission of Ontario ?

A.--Under the Power Commission Act.

Q.--Where there regulations made ? A.--[illegible] Power Commission Act and under the Statutes because each appropriation is passed by the Legislature except where a special warrant is issued, for money during the [illegible] appropriations, so that the advance would be made on the joint authority of the Power Commission Act and the Statutes, with the approval of the Legislature.

Q.--[illegible] [illegible] [illegible] [illegible] [illegible]. Do you include in this amount, the amount originally expended prior to the development of Queenston Chile on the plant that was used to supply power [illegible] [illegible] [illegible] ?

A.--[illegible] is included [illegible] [illegible].

Q.--If that were added, the total Niagara development would be increased by that sum ? A.--Increased by that

sum. There is just this difference, Mr. Gregory: Port Arthur is solely responsible in respect of the original system, and Port Arthur, under certain contingencies, and Fort William in addition, are responsible for the new undertaking.

Q--So that is the reason for keeping them distinct ?

A--Yes, I think the contracts were executed with respect to the whole system, the new system.

Q--How is the repayment of the money advanced by the Government to the Hydro Commission for the Nipigon system provided for ? A--By the provisions of the Act. There is a little difference in there; Sec. 23 of the Act provides that in the case of power, the annual cost of power, the amount should be included which would be sufficient in thirty years to repay the advance of the Government for capital construction. When the agreement with Port Arthur was entered into relative to this system, the term was put at 40 years. Now then, there is a further provision in Sec. 23 which allows the Commission to extend the time when the sinking fund first became payable by five years from the date when they entered into the contract.

Q--We are advised that the Nipigon System stood by itself and that the general provision for postponing the thirty year sinking fund does not apply to Nipigon ?

A--That is a question of legal interpretation. You have the Act which says the sinking fund should be computed on one basis and the Statute which says the sinking fund should be paid in 40 years. It is a legal question.

Q---Was there legal opinion ever obtained on that point ?

A--No.

Q--Have you raised it in your audit ?

A--No, I have not raised it as yet, for two reasons: because it struck me whatever is expedient or reasonable, the

[illegible] There is just one [illegible], Mr. Chairman, that [illegible] rather is already [illegible] in regard to the original system, and from [illegible], under which a [illegible] Port Million is eligible, and reasonable for one [illegible] marriage.

Q--Just in the [illegible] the [illegible] [illegible]

--Yes, I think the [illegible] [illegible] respect to the whole system, the new system.

Q--How is the repayment of the money advanced by the Government to the Hydro Commission for the Niagara system [illegible] for ? A--By the provisions of the Act. There is a little difference in [illegible] [illegible] the amount should be [illegible] which would be sufficient in thirty years to repay the advance of the Government for capital construction. When the [illegible] with [illegible] [illegible] the term was put at 40 years. Now then, there is a further provision in Sec. 23 which allows the Commission to extend the time when the sinking fund first become payable by five years from the date when they entered into the [illegible].

Q--We are advised that the Niagara System stood by itself and that the general provision for postponing the [illegible] your sinking fund does not apply to Niagara ?

--That is a question of legal interpretation. The [illegible] Act which says the sinking fund should be computed on the basis and the Statute which says the sinking fund should be paid in 40 years. It is a legal question.

Q--Has there legal opinion ever obtained on that point ?

--[illegible]

Q--Have you refused it in your mind ?

--I have not refused it as yet, for the reasons [illegible] [illegible] a speculator or [illegible], the

Government would do when the time came, that if the intention was that the sinking fund should be for 40 years with five year suspension, then an amendment to that end would be obtained, and I always figured with respect to that that whatever was expedient would be done.

Q--You did not follow what might possibly be the strict letter of the law ? A--There is a half year; there is only a partial year in 1921, and we did not follow the strict letter of the law there in respect of reserves and in respect of contingencies or other things. I do not want to agree with either the right of suspension of the five year period is done away with because of the form of the agreement or, on the contrary, that it is not done away with. I think it is irrelevant. I think the state of the system is the dominating factor, and that if apparent cost is such that it cannot provide a sinking fund for five years, then I assume the Government would suspend it. It cannot do anything else.

Q--You would advise an amendment to the Act to put it beyond question ? A--If it is necessary. I took legal advice in respect to the question as to whether the contracts ratified by the Legislature override the Act, and I was told there was a great deal of question about it. So I say I do not know what the situation is today, whether the 30 year period obtains or the 40 year; whether by reason of the 40 year contract the right to extend for five years is wiped out, I do not know.

Q--If there had been plenty of money forthcoming from the development, you might have asked them to set aside ?

A--I would not have had to; they would have put it up. That is their policy.

Q--I thought in all undertakings, they postponed their sinking fund ? A--They did not with regard to this Port

Government would be when the time comes, but if the [illegible] that the existing Act should be left to stand with five year provisions, then it would be best that it should be retained, and I always flavored with respect to that that whatever the expedient would be here.

Q--You did not follow what might possibly be the strict letter of the law? A--There is a half year there is only a partial year in 1921, and we did not follow the strict letter of the law there in respect of reserves and in respect of contingencies or other things. I do not want to agree with either the right of suspension of the five year period is done away with because of the fact of the agreement or, on the contrary, that it is not done away with. I think it is irrelevant. I think the whole of the system in the Saskatchewan Treaty, and that is repeated such is such that it cannot permit a [illegible] that for five years, then I assume the Government would suspend it. It cannot do anything else.

Q--Its would apply in consequence to the Act to pay [illegible] Indian treaties? A--If it is necessary. I [illegible] legal advice in respect to the question as to whether reserves vested by the Legislature overrule the Act, and I was told there was a great deal of question about it. So I say I do not know what the situation is [illegible], whether the 40 year period relative to the [illegible] whether by reason of the 40 year contract the right to [illegible] for five years is wiped out, I do not know.

Q--If there had been plenty of money forthcoming from the development, you might have asked them to act under? A--I would not have had to; they would have put it up. [illegible] to their policy.

Q--I thought in all undertakings, they postponed their [illegible]? A--They did not with regard to this Part

Arthur system - not in the original system.

Q--In their own developments ? A--Nearly all of them.

Q--On all of them ? A--On all others. I think that is founded on good business.

Q--What rate of interest do they pay the Government upon this $6,000,000 odd that the Government advanced to them ? A--I have it here in the audit.

1918, at the rate of 6.88% per annum

Oct.31st,1919. . . . 5.341% " "

Oct.31st,1920. . . . 6.2% " ". The fiscal year, ending October 31st,1921, at the rate of 6.5%.

Q--Would you tell us as nearly as you can on what basis these rates are fixed ?

A--There are two provisions in the Act, Mr. Gregory. Under Sec.1.A. of Sec.15, this is what is stated : The Commission shall pay the Treasurer of Ontario annually interest on the indebtedness of the Commission to the Province for moneys advanced to the Commission by the Province as may be from time to time determined by the Lieutenant-Governor-in Council, as sufficient to reimburse the Province the full amount of interest paid by the Government on moneys raised for the purposes of the Commission and the charges incurred by it in providing such money.

Under Sec.23, it is provided "That in the cost of power for each year, amongst other charges, each municipality shall pay such sum as the Lieutenant-Governor-in-Council may direct to cover the difference between 4% interest charged on capital account"- (4% was the rate originally set by the Hydro Act) -"advanced for working capital and all charges and expenses for providing such money".

Q--Then the Government once a year renders a bill to the Hydro for the interest ? A--Once a year; at the end of each fiscal year, the Treasury Department makes up the bill in

rather quite - just in the original question.

Q--Is that not arithmetic? A--Yes, it is.

Q--Do all people do it? A--No, all people, I think, do not do it in practice in practice.

Q--Only rate of interest do they pay the Government upon this $6,000,000 - and that the Government advanced to them? A--I have it here in the audit.

1910, at the rate of 6.88% per annum

1911-June,1912 . . . 6.88%

July-June,1920 . . . 6.2% " " The fiscal year, ending

August 31st,1921, at the rate of 6.2%

Q--Would you tell us as nearly as you can in what

months these rates are fixed?

A--There are two provisions in the Act, Mr. Speaker. Sub-Sec.1.A. of Sec.16, this is what is stated: The Commissioner shall pay the Treasurer of Canada, monthly in arrears, the difference of the Commission at the previous rate advanced to the Commission by the Province as may be from time to time determined by the Lieutenant-Governor-in-Council, as sufficient to reimburse the Province the full amount of interest paid by the Government on money raised for the purposes of the Commission and the expense incurred by it in providing such money.

Under Sec.23, it is provided "That in the cost of power for each year, excepted other charges, each municipality shall pay such sum as the Lieutenant-Governor-in-Council may direct to cover the difference between the interest charged on capital account"- (6% was the rate originally set in the Hydro Act) -"advanced for working capital and all charges and expenses for providing such money".

Q--Then the Government once a year renders a bill to the Commission for the interest? A--Once a year; at the end of each fiscal year, the Treasury Department makes up the bill in

which it states the rate of interest that the money advanced to the Hydro has cost it during that year.

Q--Was such a bill rendered to the Nipigon system ?

A--Not the Nipigon System.

Q--I mean to cover the amount advanced ?

A--Covering all the advances in each year.

Q--That was rendered last year ? A--Yes, sir.

Q--Was that amount paid ? A--Yes - no, pardon me, in regard to the Nipigon System, no. They deducted $71,785. This is what I state in the report: On the assumption that the Province was and is prepared to accept interest at 5% per annum on all advances made by it to the Commission for the purpose of the Nipigon works, the Commission reduced the interest charges in respect of such advance to October 31st to conform with such a rate as 5%. To give effect to such reduction $71,785 was deducted from the interest payment made to the Province on October 31st,1921, when a further sum of $5,562 was charged to expense account to be deducted from interest payment to be made to the Province in the fiscal year ending October 31st, 1922. In other words, the amount they purported to reduce the interest by was about $77,250.

Q--You say the bill was rendered for the full amount ?

A--Yes, sir.

Q--What authority had the Commission for making that reduction ? A--The Chairman of the Commission stated there was an understanding between the Commission and the Government. The Premier informed me there was no such understanding.

Q--The Premier informed you there was no such understanding?

A--Yes, sir. The accounts had been made up on that footing by that time; we were well on, so I left them as they were with this statement indicating to what extent the

Q--Was such a bill rendered to the Highgate system ?

A--Not the Highgate System.

Q--I mean to cover the amount advanced ?

A--Covering all the advances in each year.

Q--That was rendered last year ? A--Yes, sir.

Q--Was that amount paid ? A--Yes - no, pardon me, in [illegible] the Highgate System, no. They borrowed $17,000. This is what I state in the report: On the assumption that the province was and is prepared to accept interest at 5% per annum on all advances made by it in the consolidation for the purpose of the Highgate System, the Commission recommend the interest overdue in respect of such advances in October 31st to conform with such a rate as this. To give effect to such recommendation $17,[illegible] was deducted from the interest payment made to the Province on [illegible], when a further sum of $6,562 was charged to expense account to be deducted from interest payment to be made to the Province in the fiscal year ending October 31st, 1926. In other words, the amount they purported to reduce the interest by was about $17,000.

Q--You say the bill was rendered for the full amount ?

A--Yes, sir.

Q--What authority had the Commission for making that reduction ? A--The Chairman of the Commission [illegible] was an understanding between the Commission and the Government. The Premier informed me there was no such understanding.

Q--The Premier informed you there was no such understanding ?

A--Yes, sir. The accounts had been made up on that footing by that time; we were well on, so I left them as they were with this statement indicating to what extent the

change of interest would affect the account.

Q--The Government would have no power to override the Statute and reduce that rate ? A--No, sir.

Q--So that the deduction that was made was one that was not authorized by the existing law ?

A--Not by the Statute.

Q--And that amount still remains unpaid ? A--Still remains unpaid, sir.

Q--Is it carried on the Treasurer's books against the Commission ? A--I cannot say that, sir. Mr. Guilfoyle tells me in rendering the bill to the Commission, the reduction is given effect to. In other words, the account which was paid or compiled by the Commission, was stamped "Payment received" by the Treasury Department. I recollect that now.

Q--Payment received, but not accepted in full of the claim of the Government. If you owed $1,000 and paid $900, it does not necessarily mean the $900 is payment in full ? A--It is a matter of legal argument. It all turns on the question as to whether the arrangement was made with the Government.

Q--You just said the Government had no power to make any such arrangement. I said, under the Statute that amount still remains due ? A--They have no power without legislative authority.

Q--No official in the Treasury Department would have authority ? A--No.

Q--Out of what fund was this money paid by the Commission to the Government ? A--The interest ?

Q--Yes ? A--There was part of it - the interest for the year on the basis on which it was computed was $238,451.

Q--That was computed not on the total cost of the work but on the part that might be called the operating part ?

[illegible] of interest would affect the account.

Q--Do [illegible] ? A--[illegible], sir.

Q--So that the indemnity that was made was not [illegible] authorized by the existing law ?

A--[illegible] by the Statute.

Q--[illegible] still [illegible] ? A--[illegible] [illegible], sir.

Q--Is it carried on the Treasurer's books against the [illegible] ? A--I cannot say that, sir. Mr. [illegible] bill [illegible] rendering the bill to the Commission, the [illegible] in [illegible] effect to. In other words, the account which was [illegible] or compiled by the Commission, was submitted "Payment received" by the Treasury Department. I recollect that [illegible].

Q--Payment received, but not accepted in full of the claim of the Government. If you owed [illegible] and paid [illegible], it does not necessarily [illegible] payment in full ? A--It is a matter of legal argument. [illegible] with the Government.

Q--You just said the Government had no power to make any such arrangement. I said, under the Statute that amount still remains due ? A--They have no power without legislative authority.

Q--The officials in the Treasury Department would have [illegible] ? A--[illegible].

Q--Out of what fund was this money paid by the Commission to the Government ? A--The interest ?

Q--Yes ? A--There was part of it - the interest for the year on the funds on which it was computed was [illegible].

Q--That was computed not on the total cost of the work but on the part [illegible] to credit the general [illegible] ?

A--No, the interest is payable on the total advance made by the Government.

Q--Was that sum charged to capital account ? A--Yes, Mr. Gregory, but money advanced by the Government, where there are works in course of construction, it is proper practice to capitalize the interest until these works are completed. During 1921, part of these works were completed and part were not. We made a division of the amount of interest and charged about $178,000 against operating and about $80,300 against capital.

Q--And the capital would be just added to the capital ?

A--The capital would be simply the advance of the Government for the purpose of construction. In regard to the $178,000 against operating, that was offset by the amount paid by Port Arthur and to be paid by the Nipigon Company for power, except to the extent of $18,000. In other words, out of the $178,000, $160,000 of that is included in the cost of power charged to Port Arthur and the Nipigon Company.

Q--Paid out of income ? A--Paid out of income. There is just one point I want to make clear, of that increment, $42,000 has not yet been paid by the Nipigon Company; the Commission is bound for it.

Q--Some still not paid by Port Arthur ? A--Yes, the $18,000 I mentioned.

Q--Not having received it from the Nipigon Company or from Port Arthur, where did the Commission get the money to pay the Government ? A--Must have used it out of other funds in their hands.

Q--What funds ? - relating to the Nipigon System or relating to other systems ? A--All systems.

Q--Would that be carried in a special account ?

A--Or you might say this: It might be to the extent of $40,000 out of moneys advanced to the Commission for

A--, the interest is payable on the total [illegible] in the [illegible].

Q--Was that not charged to capital account ? A--Yes, Mr. Gregory, but money advanced by the Government, where there are works in course of construction, it is proper practice to capitalize the interest until those works are completed. During [illegible], part of those works were completed and [illegible]

Q--[illegible] the capital [illegible] ? A--The capital [illegible] is simply the [illegible] of the Government for the purpose of construction. In regard to the $178,000 against operating, that was offset by the amount paid by Port Arthur and to be paid by the Nipigon Company for power, except to the extent of $[illegible]. In other words, out of the $178,000, $[illegible] was included in the cost of power charged to Port Arthur and the Nipigon Company.

Q--Paid out of income ? A--Paid out of income. There is just one point I want to make clear, of that interest, $[illegible] has not yet been paid by the Nipigon Company; the Commission is [illegible] for it.

Q--Some still not paid by Port Arthur ? A--Yes, the $[illegible] I mentioned.

Q--Not having received it from the Nipigon Company or from [illegible], where did the Commission get the money to pay the Government ? A--Must have used it out of other funds in their hands.

Q--What funds ? - relating to the Nipigon System or to other systems ? A--All systems.

Q--Would that be carried in a special account ?

A--If you might say this; It might be to the extent of [illegible] out of moneys advanced by the Commission for

working capital. You see the Government is ready to advance to the Commission for working capital money required for working capital that stands invested in stores and receivables. So far as Port Arthur is concerned, owing $18,000, and Nipigon owing $42,000, they are receivables. Therefore, it might equally as well be said that that $60,000 came out of moneys advanced by the Government to the Commission as working capital.

Q--I suppose you know where it came from ?

A--Nobody knows where it came from. They have two funds from which they can take it with perfect propriety out of working capital.

Q--How did the account of the Nipigon System stand as of October 31st, 1921 ? What was the revenue and what was the expenditure for that year, and was there a balance on either side ? A--Yes, sir, there was. Take the expenses of operating, including the $178,000 of interest that I just mentioned, $236,490.

Q--Can you give it item by item ? A--Yes. Power purchased for the original system cost $13,079.

Q--Purchased from the Kam Power ? A--Yes, to December 20th, 1920; cost of operating, maintaining generating plant and transmission lines and stations including portion of administrative expenses, $45,420.32.

Interest on capital investment before mentioned, $177,999.88.

Total cost of operation . . . . . $236,499.79.

As against that, the City of Port Arthur was charged for power $175,753.39. That is $25 per h.p.

Nipigon Fibre and Paper Company charged with power $42,037.57.

That left $217,790.96, or $18,708.83 short of expenses.

Q--During that year was there any money set apart for renewals ? A--No, sir.

Q--That is usually an annual charge ? A--It is invariably

working capital. You see the Government is really [illegible]

[illegible] [illegible]

[illegible] for working capital that stands invested in [illegible]

[illegible] and receivables. In the City of Fort Arthur is [illegible]

[illegible] are receivables. Therefore, it might equally as well be said that that $60,000 came out of moneys advanced by the Government in the [illegible] working capital.

Q--I suppose you know where it came from ?

A--Nobody knows where it came from. They have been funds from which they can take it with perfect propriety out of working capital.

Q--How did the account of the Hydro System stand as of October 31st, 1921 ? What was the revenue and what was the expenditure for that year, and was there a balance on either side ? A--Yes, sir, there was. Take the expense of operating, including the [illegible] of [illegible] that I just mentioned, $[illegible].

Q--Can you give it also by item ? A--Yes. [illegible] purchased for the regional [illegible] $[illegible].

Q--Transmission lines in Fort Arthur ? A--Yes, to December 31st, 1921: cost of operating, maintaining generating plant and transmission lines and stations including portion of administrative expenses, $[illegible].

Interest on capital invested before [illegible], $[illegible].

Total cost of operation . . . . . $[illegible].

As against that, the City of Fort Arthur was charged for power $[illegible]. That is $[illegible] per h.p.

[illegible] Fort Arthur Hydro Energy charged with power $[illegible], that left $[illegible], or $[illegible] short of expenses.

Q--During that year was there any money set apart for reserve ? A--No, sir.

Q--Did he usually in general charge ? A--It is interesting

an annual charge, only where you get plants partly under construction, part completed and part uncompleted and starting up operation within a period, I do not think they fail very much if they do not provide renewals for that year.

Q--I am not criticizing; it is a usual annual charge ?

A--Has to be, sir.

Q--And but for good reasons - ? A--For that broken period under all conditions, it was not put up.

Q--The shortage was how much ?

A--$18,708.83.

Q--But you credit $42,000 to the Nipigon Fibre Company ?

A--Yes.

Q--It was owing but not paid ? A--Yes.

Q--Is that likely to be paid ? A--I believe so.

Q--To what extent ? A--The full amount.

Q--What security is held for it ? A--The bond of the guarantee company.

Q--For how much ? A--$40,000.

Q--So $40,000 is secured ? A--Yes, it is secured by the guarantee company.

Q--And $2,000 is unsecured ? A--Yes, but they will get that.

Q--You think they will ? A--Yes.

Q--In addition to that, there is a balance due by Port Arthur ? A--$18,708.83.

Q--Is that disputed by Port Arthur ? A--I have heard objection has been raised to the rate of $25 per h.p.

Q--Is $25 per h.p. being charged now ?

A--Yes, Sir; that is an interim rate. The real rate, speaking roughly, if they desired to charge Port Arthur the actual cost of power in that year, it would amount to $27.50.

Q--At what rate were the bills rendered during the year to Port Arthur ? A--I do not know that, Sir.

Q--(To Mr. Jeffery) Do you know at what rate the bills were rendered to Port Arthur during the year ending the 31st of October, 1921 ?

MR. JEFFREY: No, I do not.

THE CHAIRMAN: I am told they were rendered at the rate of $20 ? A--Possibly.

Q--Then there would be a thirteenth bill which would bring it up to $25 ?

MR. GUILFOYLE: Yes.

Q--Then there was no bill rendered for more than $25 per h.p. to Port Arthur ?

MR. GUILFOYLE: As to whether they sent them a 13th or 14th bill for the $10,000 I could not say.

Q--Do any of you men from the Hydro know that ? Do you know whether there was a further bill than the thirteenth bill rendered for the year ?

MR. CLARKSON: The understanding was with us, at the end of each fiscal period the bill should be rendered to every municipality for the amount which it would be required to pay to make the full cost of power, or on the contrary, a statement showing over payment. The municipalities would not know what the actual cost of power to them was without such an account, and that could not be sent out until the accounts were settled.

Q--They should have rendered a bill which would have included the whole of that deficit ? A--Yes.

Q--And you do not know whether such a bill was rendered ?

A--I do not.

Q--That would have to be done in order that the cost of the power might be provided for ? A--That it might be known to the municipality.

Q--Were the Hydro under any obligation to collect from the municipality a sum sufficient to meet that cost for that year ? A--There is a provision of Sec.23 of the Act that provides that the municipality shall pay annually.

Q--So if the Act had been complied with, Port Arthur would have paid sufficient to make up the whole of that deficit ?

A--"The Commission may from time to time during the first three years after any municipality shall first begin to take power from the Commission, extend the time for payment of the sum payable by any municipality or any part thereof, such municipality . . . . . .Commission might determine."

Q--Was the extension made in this case ? A--It was carried forward on the Commission's books.

Q--Port Arthur had begun taking power in 1910, so that section might not apply to it at all ?

A--Again, I do not know whether it applies or not, for the reason this was the first period when Port Arthur began to take power from the Commission under this new contract.

Q--But the section does not say - ?

A--Well, the interpretation is a question. But the fact remains that whether the Act requires them to do it or does not, according to the interpretation which you put on that contract, there was $18,700 owing at the end of the year, and it remained uncollected after the end of the year.

Q--Do you know if any action was taken by the Commission as a Commission in regard to that, to postpone the payment of it ? A--I do not know at this time; I should doubt very much if it would.

Q--Should not something have been done ? Was it just

left in arrears without acting on that section which you have just read ? A--That is a question of policy. First of all, you have got to determine what the effect of that section is, and if it requires them to collect each year, then technically and legally speaking, they probably should have attempted to collect it. On the other hand, if the section makes an allowance for the new contract, they would not be required to collect it. There is some doubt in my mind as to what the effect of that section is.

Q--You think that is something that might well be clarified ? A--I do, and from a business standpoint, I think the Commission would be reasonably entitled not to demand the $18,000 - following the operation for a broken period.

Q--If there is a deficit of the accounts that arose in Port Arthur for the year 1921, should it be possibly collected out of the next year ?

A--It depends on the interpretation of this section. If that section has no effect in regard to the new contract, then I suppose the Commission is bound to collect that $18,000 at once without waiting for the intervention of any further period. On the other hand, if it is entitled to three years leeway, I should say it should not be attempted this year. To come down to the practical standpoint, it is practically a matter of business more than the technicalities of an Act. What I mean by that is : This Hydro Act is constructed in a bald way with a great many defects. It is a question of evolution to try to bring it into a practical, operating, business Act.

Q--And the evolution is not complete ? A--Not complete, no.

Q--What did Port Arthur pay in cash to the Hydro for the year 1921 ? A--I would have to figure that out.

[illegible]

been from you? A--That is a matter of policy. Since we will have got to determine what the scheme of this section is, and if it requires them to collect, we must then tentatively and logically consider, they presumably should be allowed to collect it. In the other case, if the section makes no allowance for the non-carriers, they will not be required to collect it. There is some bearing by what we do to what the effect of that section is.

Q--I think that is something that might well be short then? A--I do, and there is hesitation about that. I think the Commission would be reasonably sure to get to consider the 500,000 - following the general [illegible] period.

Q--It does lie a matter of the necessity that [illegible] Post Office for the year 1921, should it be practically collected out of the next year?

A--It does lie on the interpretation of this section. If that section has no effect in regard to the non-carrier, then I suppose the Commission is bound to collect that 500,000 at once without waiting for the interpretation of any further period. On the other hand, if it is [illegible] to three years leeway, I should say it should not be attempted this year. To come down to the practical consideration, it is practically a matter of business more than the technicalities of an act. What I mean by that is it is not in consistence in a high way when [illegible] very difficult. It is a question of evolution in the [illegible] in turn [illegible], commerce, business [illegible].

Q--And the evolution is not complete? A--Not quite [illegible].

Q--Does the Post Office Department by its work to [illegible] year 1921? A--I could not do [illegible] that.

$175, less $18 is $157, and taking $29 off is about $138,000.

Q--Was the rate made by Port Arthur based upon $20 per h.p.? A--$20 per h.p. would be approximately that.

Q--So it may have been made up on that basis ?

A--$140,000 at $20 would be 7,000 h.p. The answer is yes.

MR. GUILFOYLE: They paid according to the interim bills rendered.

THE CHAIRMAN: Which were rendered, as far as you know, at $20 ?

MR. GUILFOYLE: Approximately.

Q--In either year was a charge made for water rental ?

A--No, sir.

Q--In what condition does that water rental stand in respect to Nipigon system ? A--It is a matter to be straightened out and adjusted, yet.

Q--No provision has been made ? A--Not in this account.

Q--Do you know what attitude the Government has taken in respect of that ? A--I do not.

Q--As a matter of fact, the ground covered by the plant of the Nipigon Development is not owned by the Hydro, but is still vested in the Province ? A--Still vested in the Province and part of it vested in the names of private owners.

Q--This Nipigon development is practically all on lands either owned by the Government or owned by private owners ?

A--Yes, they have the right of expropriation.

Q--From the Government ? A--I do not know that.

Q--Why don't they proceed to expropriate from the private owners ? A--It is a matter of policy on their part.

Q--Is it rather unusual that an extensive development like this, should be carried on on property owned by private owners, without knowing what they will have to

pay for the land ? A--It is unusual.

Q--Do you know of any other plant in that condition ?

A--No sir.

Q--So far as Hydro is concerned ? A--I have known cases of power companies taking possession of property and using it, expropriating it afterwards. The point is this : delay in the expropriation, and I suppose the Commission may have had a reason for that. They will have to answer it themselves. I do not think it imperils their property.

Q--There is no doubt they will have to pay water rentals; it is a matter of amount ? A--It will be a matter of amount. I do not even know that. I cannot speak on that subject. I have heard some question as to whether they would have to pay them.

Q--In making up this statement of yours, no account has been taken of that ? A--No, If it were 50¢ per h.p. there would be a difference of $5,000.

Q--We have dealt now pretty fully with the year, October, 1921, what about the year, 1922, can you give us a statement showing the expenditures and the revenue, approximately, for the year ending this month ?

A--You will have to take this statement subject to the conditions which I will mention as we go along. It is entirely based on these contingencies in here. Take the expenses, on the basis of the expenditure for the 10 months up to the end of August, direct operating expenses will figure out about $36,491.

Q--What do you mean by direct operating expenses ?

MR. GUILFOYLE: Operators, patrolmen and station men directly on the job, and the wages of the men directly on the job, and incidental expenses to these men being there.

WITNESS: Direct maintenance expenditure, $4,390.93;

Q--Let the [illegible] A--It is [illegible].

Q--Do you know of any other object in that [illegible] A--[illegible] nil.

Q--Is it [illegible] A--[illegible] [illegible] means of [illegible] [illegible] [illegible] and making it, [illegible] [illegible] [illegible] [illegible] : doing in the [illegible], and I suppose the Commission may have had a reason for that. They will have to answer it themselves. I do not think it [illegible] [illegible].

Q--There is no doubt they will have to pay water rental it is a matter of amount? A--It will be a matter of amount. I do not over know that. I cannot speak on that subject. I have heard some [illegible] as to whether [illegible] would have to pay them.

Q--In making up this statement of [illegible], no account has been taken of that? A--No. If it were [illegible] [illegible] [illegible] [illegible].

Q--We have dealt now pretty fully with the year October, 1881, what about the year, 1882, can you give a statement showing the expenditures on the revenue [illegible] [illegible] [illegible] ?

A--You will have to take this statement subject to the qualifications which I will mention as we go along. It is [illegible] based on those contingencies in here. [illegible] expenses, or the basis of the expenditure for the 12 months up to the end of August, direct operating expenses will [illegible] [illegible] [illegible].

Q--What do you mean by direct operating expenses? A--[illegible] [illegible], [illegible] and [illegible] directly on the job, and the wages of the men directly [illegible] the job, and incidental expenses to those men being [illegible] [illegible] [illegible] [illegible] [illegible].

Head Office and Field Office Engineering, $12,212.41. That would be the office at Toronto.

MR. GUILFOYLE: That is not the full expenses of the office at Toronto; it is the salaries and expenses of the engineers charged to that system, according to the actual time expended upon the work of that system. It is a direct charge, not an apportionment.

WITNESS: Proportion of Executive and Administrative expenses, $5,981.45.

Q--How is that made up ?

MR. GUILFOYLE: Distributed in proportion to the direct labour and engineers' salaries on the system.

WITNESS: Proportion of undistributed engineering and Laboratory Expenses (calculated on the 1921 rate of 35¢ per h.p.) $3,071.60.

Q--That is made up on 35¢ per h.p. sold ?

MR. GUILFOYLE: In Port Arthur only.

Q--What about Nipigon ? A--There was no power actually delivered to Nipigon. It was sold on the basis of 75% of the maximum load which occurred in September, 1921, with the same doubt existing as to the real objective of that claim.

Q--That makes the total estimated operating cost for this year $62,148.17 ? A--Yes.

Q--What is your next item ? A--"Water Power Rentals, calculated at a rate of 50¢ per h.p. on power delivered to Port Arthur".

Q--That is the first time it appears ? A--Yes, it only appeared after your remarks made yesterday. With regard to that, I have heard several discussions about it, and I know that doubts obtain in the minds of the Commission as to whether the Government will force payment of 50¢ per h.p. It really comes down to a matter of expenditure

from Government standpoint.

Q--It is a matter for the Government to declare itself. If the Government says you should have horse power free of charge, that would be eliminated ? A--That would be eliminated, but in the minds of the Commission, it is not at all settled. The last discussion I heard on the subject was that they would not have to pay this water power rate.

Q--We may hear from the Government ? A--I do not know whether the Government has taken final action on the subject or not.

Q--What is the next item ? A--"Interest on Capital Investment. On investment in new development, lines and Stations at 6.22% per annum and in original line and station at 4.5% per annum" - that is the exact cost of interest to that system, - $400,340.57.

Q--That is on the amount advanced by the Government to the Hydro for the Nipigon Development, the interest payable to the Government is $400,340.57 ? A--That is on the assumption that they have to pay according to the Statute and not at 5%.

"Provision for renewal of Generating Plant, Lines and Stations - calculated at a rate of 1.032% per annum on depreciable plant, $4,620,440.77, ...$46,861.15."

That rate is merely the rate mentioned to us. I do not know whether that is the rate fixed by the Commission this year or not. I am assuming in this statement it will be fixed.

Q--I suppose you have something to do in advising the Commission of the rate ? A--It is an engineering and operating problem, I have not.

Q--You know what they are operating in other systems ?

A--Absolutely.

Q--It is an item that appears actually in every other

Q--Is it a matter for the [illegible] to decide, [illegible]
if the Government says you should pay [illegible] or [illegible]
of charge, that would be [illegible] A--[illegible] would be
abolished, but in the opinion of the Commission, it has not
at all settled. The last discussion I heard [illegible]
was that they would not have to pay this water power [illegible].

Q--Is any hope from the Government? A--I do not know
whether the Government has taken final action or [illegible]
modified or not.

Q--What is the next item? A--"Interest on Capital
Investment. On investment in new hydro-electric, Niagara
Stations at 6.39% per annum and in original Niagara
station at 4.8% per annum" - that is the amount of
interest to that system, - $960,340.87.

Q--What is on the amount advanced by the Government to
the Hydro for the Niagara Development, the interest payable
to the Government to $400,000.87? A--What is on the
assumption that they have to pay according to the [illegible]
and not at 5%.

"Provision for renewal of Generating Plant, Niagara
Stations - calculated at a rate of 1.68% per annum on
depreciable plant, $4,[illegible],440.77. . . . . $[illegible]"
That rule is nearly the same mentioned to us. I do not
know whether that is the rule fixed by the commission
this year or not. I am guessing in this statement of
what is fixed.

Q--I suppose you have something to do in determining the
amount of the rate? A--It is a calculation of
operating profits. I have not.

Q--Have you what they are spending in other cases?
A--[illegible].

Q--It is an item that appears considerable in our [illegible]

system ? A--It must do so.

Q--And your judgment is it is a proper item to put in this system ? A--I do not think any system can operate without the item.

Q--Tell us what the renewal rate is used for ?

A--It is to establish a fund, to keep each system in such a state of repair as will enable it to provide power efficiently.

Q--Supposing a storm should break down the transmission lines, would this fund, if it existed, be used to restore them ? A--No, it might be used to a minor extent, - if the stuff blown down had depreciated - but the real loss from the storm would come from the contingent fund. Take a line, supposing its given life is 15 years, and it has gone past 10 years and then was blown down, the renewal fund would require to contribute something, but the balance would come out of the contingent fund.

Q--If some part of the equipment should prove to be out of date and had to be replaced, would that come out of this ? A--Out of this renewal fund.

Q--If some accident should take place and some machinery be destroyed, how would that be dealt with ?

A--An accident would come out of the contingent fund, unless as I said, you take a machine that had a ten year life, and the accident occurred at the end of the fifth year, and then you go to work and put a new machine in, the renewal fund would pay part of the cost, but the contingent fund would bear the balance.

Q--Then your next item ?

A--"Provision for contingencies".

TO COMMISSIONER HARRIS :

Q--Is this renewal fund included at the same rate on all the different systems ? A--No, every system has a

[illegible] ? A--It must be so.

Q--And your judgment is it is a proper item in the this system ? A--I do not think any system can [illegible] without the item.

Q--Tell us what the renewal rate is [illegible] ?

A--It is to establish a fund, to [illegible] such reserve as a state of [illegible] so will enable it to [illegible] efficiently.

[illegible] Lines, would this fund, if it existed, be used to [illegible] them ? A--No, it might be used to a minor extent, - if the storm blown down had depreciated - but the real loss from the storm would come from the contingent fund. Take a line, approaching the given life; is 14 years, it has gone past 10 years and then was blown down, the renewal fund would require to contribute something, the balance would come out of the contingent fund.

Q--If some part of the equipment should come to grief out of date and had to be replaced, would that come out of this renewal fund.

A--Out of this renewal fund.

Q--If some accident should take place and cars would be destroyed, how would that be dealt with ?

A--An accident would come out of the contingent fund unless as I said, you take a machine that had a two year life, and the accident occurred at the end of the third year, and then you go to work and put a new machine in the renewal fund would pay most of the cost, but the [illegible]

[illegible]

Q--Then you need [illegible] ?

A--"Depreciation not contingencies".

[illegible]

[illegible]

All the different expense ? A--Yes, every expense [illegible]

different rate. The elements are entirely different. You might have one very large amount of long-life fixed property, and then a small amount, proportionately speaking, of lands. On the other hand, you might have a small amount of fixed property and a large area of land. The renewal rate is clearly different.

Q--How would this compare with Niagara District ?

A--It is 2½.

TO COMMISSIONER HANEY :

Q--Does Niagara include the development of Chippawa ?

A--No, sir.

Q--It is largely on transmission lines ? A--Yes.

TO COMMISSIONER HARRIS :

Q--Those are all steel poles, and these are all wooden poles ? A--Yes.

Q--It should be higher ? A--It depends on the proportion.

Q--Of the transmission lines ? A--As to the other elements.

TO COMMISSIONER HANEY :

Q--I notice with an expenditure of practically six and a half millions, you only provide renewals of $4,600,000; that eliminates the concrete work, I suppose ?

A--I am only taking these figures. I said to you, we have not got the rate, Mr.Haney. Mr. Guilfoyle has some figures in regard to that and he can give them to you.

MR. GUILFOYLE: Non-depreciables, ascertained by members of the engineering department, $1,933,767.

Q--That will be the concrete work ? A--Concrete work; it is all flooded areas - clearing of flooded areas.

COMMISSIONER HARRIS: The appreciables would be the difference between that and the total amount ?

A--The appreciables would be $4,628,000.

TO THE CHAIRMAN:

Q--How does the rate which you have allowed here compare

[illegible] note. The element is very strongly [illegible]. I [illegible] might have one very large amount in Lake-like [illegible] and then a small amount, proportionately speaking, in [illegible]. On the other hand, you might have a small amount of fluid, proportionately speaking, in a large area of land. [illegible] to slightly different.

[illegible] would take exception with Dimmick [illegible]

A--I'm [illegible].

Q-CONNECTICUT RIVER :

Q--Does Dimmick include the drainage of [illegible] ?

A--No, [illegible].

--It is largely on transmissible lines ? A--Yes.

Q-CONNECTICUT RIVER :

[illegible]

[illegible] ?

Q--If you [illegible] be slower ? A--It varies in the [illegible]

Q--Is the transmissible lines ? A--As to the [illegible]

Q-[illegible] :

Q--I notice that in [illegible] or [illegible] [illegible] a [illegible] addition, you may [illegible] [illegible] [illegible] that [illegible] the concrete work. I suppose ?

A--I am only [illegible] [illegible] figures. I [illegible] [illegible] have to get the [illegible], Mr. Dimmick, Mr. [illegible] [illegible] figures in regard to that [illegible] [illegible] [illegible].

[illegible]

[illegible] of the [illegible] [illegible], [illegible]

[illegible]

[illegible] - [illegible] of [illegible] [illegible]

[illegible]

[illegible] ?

[illegible]

[illegible]

[illegible]

[illegible]

with that allowed - with the average rate on the other plants ?

MR. GUILFOYLE: You mean the average of all ? I could not tell you.

MR. CLARKSON: I do not think that would have any bearing.

MR. GUILFOYLE: It depends on the units of the plant.

MR. CLARKSON: It depends on the composition of each system.

Q--What is the rate of depreciation to the other lines ?

A--2¾%. These rates are subject to the amount put up in the reserve; interest is computed on the reserve of 4% per annum on the sinking fund.

COMMISSIONER HARRIS: Did you make this rate ?

MR. GUILFOYLE: No, Mr.McBride, one of the engineers.

MR. CLARKSON: It is purely an operating or engineering problem; how long they are to last, and they set the reserve, unless it appears to us that the rate is absolutely insufficient.

COMMISSIONER R.A.ROSS: I suppose the Hydro will have throughout this whole system of operations, a certain life assumed for each class of work, and will then normally use that rate for any particular plant which is concerned, to the amount that that plant has that particular group of equipment. Adding these together, you get the total amount.

MR. CLARKSON: In our 1917 statement, I put some schedules to indicate the length of life they attribute to every element in their system from the experience they had, and I presume on that basis they fixed their renewal reserve up to within about the last year, that they made two or three changes.

COMMISSIONER R.A.ROSS: The Hydro claim those elements

with that allowed - which has overpass rate on the other

Q. [illegible]: You mean the average of all a [illegible]

Mr. [illegible]: I do not think that could have any [illegible]

Mr. [illegible]: It depends on the nature of the plant.

Mr. [illegible]: It depends on the economics of each [illegible]

[illegible] is the rate of depreciation on the other [illegible]

A-[illegible]. These rates are subject to the [illegible]

in the reserve; interest is computed on the reserve [illegible]

[illegible]

COMMISSIONER [illegible]: Did you make this rate [illegible]

Mr. [illegible]: No, Mr. [illegible], one of the [illegible]

Mr. [illegible]: It is purely an operating [illegible] problem; how long they are to last, and they set the reserve, making it appear to us that the rate is [illegible]

[illegible]

COMMISSIONER [illegible]: I suppose one [illegible] throughout this whole system of operations, a certain [illegible] [illegible] each class of work, and will then [illegible] [illegible] rate for any particular class [illegible]

[illegible], to the amount that that plant has been [illegible] [illegible] of a [illegible]. Adding those together, you get the total [illegible].

Mr. [illegible]: In our last [illegible], I put some [illegible] to the length of line [illegible] [illegible] [illegible] in their system from the [illegible] [illegible], and I [illegible] or [illegible] [illegible] [illegible] [illegible] [illegible] about the [illegible], [illegible] [illegible] or [illegible].

[illegible]

that they use were set so high that they are now in a position to consider the question of scaling them down ?

WITNESS: So I understand. They did scale them down in Wasdale.

TO COMMISSIONER HARRIS:

Q--This does not look as if it is a high enough rate to be used in the Nipigon plant, because your transmission lines alone cost $700,000 ? A--The end of the last year they cost $567,000.

TO COMMISSIONER HANEY:

Q--About how long would it take, roughly speaking, to pay for the renewals, that is to wipe out the system and renew the whole thing - 40 years would not do ?

A--1% for 40 years - of course that means attributing a short life to some things and a very long life to others.

Q--That is what I would judge. But there are generators and wheels that won't last very much longer than a pole line, but the average for 40 years on that basis is a pretty long average, is not it ?

A--That is a matter that I think the engineers should speak about to you.

TO THE CHAIRMAN:

Q--Then your next item is Provision for Contingencies ?

A--"Calculated at a rate of 25¢ per h.p. on power delivered to Port Arthur", $2,194.00.

Q--How does that compare with the provision in other systems ? A--That is the rate; sometimes they have to go higher by reason of the extraordinary and unexpected conditions, but 25¢ is the usual rate fixed. It is purely arbitrary.

Q--You cast no opinion on that ? A--Only this, all we require is that they put up a contingent fund to take care of the requirements. I do not think anybody - unless

that they are well out of hand that they are [illegible]
possible to consider the question of moving them [illegible]

MR.MOORE: No I wouldn't. They ill scale them [illegible]
a feasible.

CO-CHAIRMAN MARTIN:

Q--This does not look as if it is a high enough [illegible]
be used in the Kingston plant, because your consumption [illegible]
lions alone cost $700,000 ? A--The end of the last year [illegible]
[illegible] $1,[illegible].

CO-COMMISSIONER MARTIN:

Q--Do you know how long would it take, roughly speaking, to [illegible]
for the renewals, that is to wipe out the system [illegible]
ship whole thing - 60 years would not do ?

A--No for 60 years - of course that comes [illegible]
a short life to some things and a very long life [illegible]

Q--This is what I would judge. But there are [illegible]
and wheels that would last very much longer than [illegible]
time, but the average for 60 years on that basis is a
pretty long average, is not it ?

A--That is a matter that I think the engineers [illegible]
[illegible] about to you.

CO-CHAIRMAN:

Q--Then your next item is Depreciation for Contingent [illegible]
A--"Calculated at a rate of 8% per [illegible]
authorized by Dept. notice", [illegible].

Q--How does this compare with the amortization in other
[illegible] ? A--That is the rate; sometimes some [illegible]
[illegible] of the entire machinery and [illegible]
[illegible], but 8% is the usual rate [illegible].

[illegible]

Q--You start in operation on that ? A--Only [illegible]
[illegible] is the Dept. of [illegible] [illegible]
[illegible] of the [illegible]. I do not think [illegible]

you have a long experience - can say that any rate is right or wrong.

Q--You have no sinking fund in this - no provision for a sinking fund whatever ? A--No, sir.

Q--That has been deferred ? A--Yes, sir.

Q--Then the total operating cost and these other items amount to $523,931.89 ? A--Yes, sir.

Q--What revenue will be received this year to meet that ?

A--If you assume Port Arthur will pay $25 per h.p.

Q--Is that a fair assumption ? A--I am taking the assumption for last year. I do not express any opinion on it.

Q--They only got $20 last year ? A--They charged them $25. I can only give you a statement like this for what it is worth on this assumption. Assuming they pay $25, the revenue from Port Arthur for the same amount of power as last year, -- if we assume for the months of September and October, they take the same as in August- $219,409.28. Then if we assume they are entitled to charge the Nipigon Fibre and Paper Company the rate they are, (calculated at 75% of previous maximum demand), and if they collect that amount, it will be $73,615.20, or a total of $293,024.48.

Q--Has the Hydro actually supplied the Nipigon Fibre Company with any power during this year ? A--I believe not.

Q--For what reason ? A--The company is shut down.

Q--What is its financial position ? A--In liquidation.

Q--So that if it is liable for this $73,615.20, it is a liability of a company that is bankrupt ? A--Yes, sir. I am not the proper person to discuss that question with. I am the liquidator of the company.

Q--You have personal knowledge of it ? A--Yes, but when you come to clean this thing up, if the Hydro or somebody

you have a long experience - can say that [illegible]
or [illegible].

Q--Can have an existing fund in [illegible] - or [illegible]
[illegible] fund [illegible]? A--No, sir.

Q--Has one been [illegible]? A--Yes, sir.

[illegible]

amount to [illegible]? A--Yes, sir.

Q--That revenue will be received this year to meet [illegible]

[illegible]

Q--Is that a fair assumption? A--I am taking the [illegible]

[illegible]

[illegible] I can only give you a statement [illegible]
[illegible] is worth on this assumption. [illegible]
the revenue from Port Arthur for the same amount of [illegible]
as last year. -- If we assume for the months of [illegible]
and October, they tell me which is in excess [illegible]
also if we assume they are entitled to charge the [illegible]
Fibre and Paper Company, the rate they are, [illegible]
[illegible] previous maximum amount, and if they [illegible]
amount, it will be [illegible], or a total of [illegible]

[illegible] the Lynch [illegible] computed the [illegible]
[illegible] with the power [illegible] this [illegible]
[illegible]

[illegible]

[illegible] that if it is liable [illegible]

[illegible] the amount [illegible] to assume that [illegible]
[illegible] liquidation of [illegible]

[illegible]

[illegible] to [illegible] the [illegible]

wants that undertaking badly enough, they might agree to meet this bill, or meet some claim. On the other hand, if certain conditions work around, where anxiety to deal with the matter is in the hands of the vendors, they might not collect any part of it.

Q--They might under those conditions collect nothing ?

A--Yes.

Q--So this $73,000 is an obligation of a bankrupt company now in liquidation, and whether or not they will ever receive anything is a matter of more or less uncertainty ?

A--It is for the future, but assuming they get this amount from Port Arthur and succeed in collecting this amount from the Nipigon, they get $293,000, and they would have to defer against the future $230,907.41, unless Port Arthur is liable under this contract and they collect from it.

Q--Supposing that they get from Port Arthur only $20 h.p.

A--The next statement that you have will show that. It would mean that the shortage would increase to $274,789.27. If the Nipigon account were only worth 50¢ on the dollar, on the basis of $25, the shortage would be $267,715; and on the basis of $20 per h.p., the shortage would be $311,596.87.

Q--If they do not receive anything from the Nipigon this year, if this bankrupt company pay nothing, what will the shortage be ?

A--On the basis of $25, $304,522.61; on the basis of $20, $348,404.47.

MR. MORRIS: May I ask a question about the Nipigon Fibre ?

Q--You say the real estate that the Nipigon Fibre plant is built on, is not vested in the company at all ?

A--No, sir, but I am going to try to force it to be vested in the company.

Q--What property has Col. Bywater of the Molsons Bank ?

A--He is in the courts of the liquidation, I am informed; that may be an element of liquidation.

Q--You cannot act against an insolvent estate for damages except for the amount appraised under the terms of the Act ? A--For damages - that has got to be appraised, of course.

Q--So you have those two difficulties to meet ?

A--I do not put it on that footing at all. If somebody wants to buy that undertaking, and pay enough, it might become a certainty. If the vendors of the plant are anxious to dispose of it and find a ready buyer, they might be willing to waive certain things.

Q--The Hydro and the municipalities might be glad to waive certain things ? A--Yes, so when you ask what this account is going to produce, I do not know any more than the next person.

Q--There are those two difficulties, and there is a third: in order to induce anybody to buy and re-organize, they will want to waive as much liability as possible.

TO THE CHAIRMAN:

Q--Then, Mr.Clarkson, if Port Arthur pays $20 a h.p., and if nothing were recovered from the Nipigon Fibre Company, the shortage will be $340,404.47 ? A--Yes. If you are right in your contention the sinking fund has to be paid immediately on the 40 year basis, you would have to add 1% on the investment or about $63,000 to each of these figures. Of course there is this about it; I do not think for one moment that the Government would ever force a situation like that.

Q--But looking at it from an economic standpoint, that is a charge that is really piling up against the company all the time ? A--Looking at it from an economic standpoint,

Q--What property has 3?. Greater of the Moiseas ...? A--He is in the courts of the Liquidation, I am informed; that may be an element of liquidation.

Q--You cannot set against an insolvent estate for damages except for the amount approved under the terms of the Act ? A--For damages - that has got to be approved, of course.

Q--So you have those two difficulties to meet ?

A--I do not put it on that footing at all. It comes by means to buy that undertaking, and my owners, it is for become a certainty. If the vendors of the plant are anxious to dispose of it and find a ready buyer, they might be willing to waive certain things.

Q--The Lyeto and the municipalities might be glad to waive certain things ? A--Yes, so when you ask what this account is going to produce, I do not know any more than the next person.

Q--There are those two difficulties, and there is a liability in order to induce anybody to buy and re-organize, they will want to waive as much liability as possible.

BY THE CHAIRMAN:

Q--Then, Mr.Clarkson, if Port Arthur pays the 6 P.C., and if nothing were recovered from the Algoma Steel Co., the shortage will be $360,404.47 ? A--Yes. If you can right in your contention the claiming Town has to be paid immediately on the 6% bonds, you would have to add 1/4 on the investment or about $60,000 to cash of which figures. Of course there is time about it; I am not think for one moment that the Government would ever have a situation like that.

Q--Not looking at it from an economic standpoint, is a change that is really willing to greater the capital in the line ? A--Looking at it from an economic standpoint

it is not a charge which should be put against this system for five years. You do not get any private undertaking that starts to put in a sinking fund in the first year of operation. I think it would be fully an unreasonable charge to lodge against this system for the first five years.

Q--If under the Act as it stands now it has to be ?

A--There is that difference of interpretation of that section, but if it be held that the section requires that a sinking fund be put up at once, and the Government insist upon it, there would be a difference of $63,000, but it would be short-sighted from a business standpoint, and I do not think they would do it.

Q--That would make the total shortage for the year rather more than $411,000 ? A--Yes. Then there is another element; the Hydro contends they are in an agreement to accept interest at 5%.

Q--It is quite clear there is no warrant in law for that ?

A--I do not think the Government has the right to do so, and I so expressed my opinion.

Q--The Government has no right; it would be for the Legislature alone to change that ? A--Naturally.

Q--And as the law now stands, there is no question as to the obligation of this system to pay interest at the rate of 6.2 ? A--No.

Q--Then, Mr.Clarkson, from this statement, the minimum amount of the shortage would be about $231,000, and the maximum amount would be $411,000 ?

A--If you include the sinking fund.

Q--But if you leave out the sinking fund altogether ?

A--$348,000, if you assume that Port Arthur is not compelled to pay more than $20 per h.p.,apart from this contract and the provisions of the Act.

Q--Under the contract it is bound ?

A--To pay the full amount. If you assume, as a matter of

It is not a question which should be put against this system for five years. You do not get any private [illegible] that starts to get in a sinking fund in the first year of operation. I think it would be fairly an unreasonable charge to lodge against this system for the first five years.

Q--If under the Act, as it stands now it has to be ?

A--There is that difference of interpretation of that section, but if it be held that the section requires that a sinking fund be put up at once, and the Government insist upon it, there would be a difference of $[illegible]$, but it would be short-sighted from a business standpoint, and I do not think they would do it.

Q--That would make the total shortage for the year ending more than $[illegible]$? A--Yes. When there is another element; the Hydro contends they are in an agreement to accept interest at 5%.

Q--It is quite clear there is no warrant in law for that ?

A--I do not think the Government has the right to do so, and I am supported by opinion.

Q--The Government has no right; it would be for the Legislature alone to change that ? A--Naturally.

Q--And as the law now stands, there is no question as to the obligation of this system to pay interest at the rate [illegible] ?

A--Then, Mr. Chairman, from this statement, the interest amount of the shortage would be about $[illegible]$, and the sinking account would be $[illegible]$?

Would you include the sinking ---?

Q--Not if you leave out the sinking fund altogether ?

A--Yes, yes. If you assume that the [illegible] to be [illegible] connected to any more than [illegible] [illegible] from this statement [illegible] [illegible] ?

Q--[illegible] the sinking fund is [illegible] ?

[illegible]

expediency it cannot pay more than $20 -

Q--It is not a matter of expediency so much as whether you can get it or not. A man might owe you $100 and you cannot collect it. Can they get any more than $20 per h.p. from Port Arthur ? A--I cannot express an opinion.

Q--They could not get any more than that last year. Have they taken any action to collect more than what they got last year ? A--I could not say.

Q--In the event of Nipigon not paying anything, and in the event of Port Arthur continuing to pay the rate that was paid last year, the shortage is running up now at the rate of about $1,000 a day ? A--Roughly. That is, if you get nothing from the Nipigon Company, and you take $20 from Port Arthur, and it takes no more power than it did last year.

Q--The deficit for the present year would be about $1,000 a day ? A--I cannot state exactly. If it took no more power than last year, and you got nothing from the Nipigon, it would be about $1,000 a day.

Q--That is based on this year's power ? A--Yes.

Q--Where is that deficit, greater or smaller, going to come from ? A--The Province of Ontario - out of the interest,

Q--Then that interest will have to be paid by the Province out of the general revenue of the Province ?

A--Yes.

Q--Is this the first occasion of that kind ? A--Yes, sir.

Q--So that in the Nipigon plant, this quarter of a million or more dollars will have to be paid out of the revenues and cannot be provided by the system ?

A--Not at this time, sir. The system will not have the means to pay interest on this investment to the Province.

Q--That is a very serious condition. How can you remedy it ? A--There is only one remedy, and that is for the

Province to carry the load until such time as the production of saleable power assumes a rate sufficient to produce a surplus. In other words, this deficit will probably increase for a period of years, and afterwards when you get a certain price and production of power, it will wipe this out.

Q--Have you made any estimate of what the deficit will be in future years? A--No.

Q--You pass on what has taken place? A--I do not prophesy.

Q--But you spoke about the increasing deficit?

A--I want it clearly understood that that statement is the best we could prepare under the circumstances. It cannot be taken as fact, although as far as we know it should be reasonably correct.

Q--Mr. Clarkson is there anything in the Act which contemplates such a condition as this arising and makes provision for it? A--No, Sir. In connection with this Act, I want to be plain, When we came in in 1917, the Act was in force, but the Commission if it was to prosper and deal in a business-like way, the Act was absolutely inoperative in a great many instances. I discussed that with the Government at the time, and a lot of amendments were made; from time to time amendments have been made to the Act to reduce it to a point where it facilitates the operation of the Commission from a business standpoint. Therefore, in dealing with a technicality like this sinking fund, I have never attached any doubt myself to it, feeling that the Government would always amend the Act, if necessary, to bring it into line with a reasonable business policy. One most important thing that is not covered by this Act is the situation such as is brought up with the Ontario Power Company or the Toronto Power Company, where

the Commission is enabled to buy shares of the generating company, but there is nothing in the Act which states that these shares are works of the Commission on which a sinking fund has to be put up to repay the cost of it. The Commission has already adopted that policy.

Q--It has put up the sinking fund? A--Yes, although the Act does not call for it, the intention being to ask for some provision of the Act to straighten that whole situation out, but when you get down to the sinking fund of Port Arthur, I have always felt it was possible to go to the Government and get them to change the Act in any way reasonable to conform to business policy.

TO COMMISSIONER R.A.ROSS:

Q--In other words, your idea is that the Government in framing that Act, had the intention in the back of their minds to assist a newly started plant over its first years by dropping the sinking fund, and therefore that applies, or should apply reasonably to the Nipigon System which was just started?

A--Would not it be foolish to have any other situation?

Q--That was probably in the minds of the drawers of the Act? A--Yes. We discussed that at the time. Take any private undertaking; it does not set up a sinking fund and defer its bonds for a certain number of years. You do not throw a burden on it, the first, second or third years; you set it forward several years, and then begin. The same way in requiring these municipalities to pay for power; the first two or three years they have difficulty to pay in full. However, provision was made in the Act allowing the Commission to extend the full payment for the cost of power up to three years. The whole thing is to assist.

TO THE CHAIRMAN:

Q--Mr. Clarkson, acting on the strict letter of the law,

[illegible]

[illegible] Mr. [illegible] for it, the [illegible] to [illegible] the provision of the act to eliminate that [illegible] out, but when you get down to the minutes [illegible] further, I have always felt it was [illegible] to [illegible] Government and not then to change. [illegible] made to conform to business policy.

Q COMMISSIONER B.A.ROSS:

Q--In other words, your idea is that the [illegible] treating that act, but the question in the [illegible] since to result a newly started plant over in [illegible] by adopting the existing tons, and therefore that [illegible] should apply respectively to the [illegible] [illegible] just [illegible]?

A--Would not it be foolish to have any other [illegible]?

Q--That is probably in the minds of the [illegible] of the law? A--Yes. We discussed that at [illegible].

Alvaro Dupont Miller: It does not go a [illegible] [illegible] for a certain number of years. [illegible] [illegible] a burden on it, the [illegible] or [illegible] years, [illegible] [illegible] years, and then [illegible]. The [illegible] in equal [illegible] [illegible] to pay for [illegible], [illegible] two or three years [illegible] have difficulty to pay in [illegible]. However, provision was made in the act [illegible] [illegible] [illegible] for the [illegible] [illegible] [illegible]. The whole thing is [illegible].

[illegible]:

Q--Mr. Chairman, [illegible] on the [illegible] [illegible].

the Commission would have to make Port Arthur pay the entire cost of what it receives less what it receives from any outside company? A--Yes, Sir.

Q--That would make the cost to Port Arthur a prohibitive cost? A--Absolutely, under present conditions. It comes down to a question of expediency.

Q--If this deficit continues from year to year, as is possible, it would soon make a considerable drain upon the revenues of the Province, in the aggregate?

A--They would have to stand it for the time being.

F.A.GABY.

TO THE CHAIRMAN:

Q--In the Statement which you furnished the Commission recently, you gave estimates of the load for a period of years? A--Yes.

Q--When you say estimated loads, do you mean loads which you intended to produce or loads which you expect to sell?

A--Estimated loads referred to are the loads we expect to sell and obtain revenue on.

Q--What was the amount you sold for the year ending October 31st, 1921, from the Nipigon System?

A--As I remember, for the months they were in operation, that we did not operate the full period of time. Yes, we did we operated the full period of time - somewhere over 9,000 h.p. to the City of Port Arthur.

TO COMMISSIONER HANEY:

Q--1921? A--1921. 8583 h.p. to Port Arthur and 7050, in addition to which we sold some 3,000 to Nipigon Fibre and Paper Company - between 3,000 and 4,000. About 12,000 of peak is what we had.

Q--Then in 1922? A--The amount has varied from 9500

up to 10,000 h.p., approximately 9500, we expect to sell in the municipality of Port Arthur, as I remember, on the average during the year, that is, upon which we receive revenue.

Q--About 9,000 you say in your statement?

A--About 9,000. We have exceeded that, as far as the rate is concerned, some 9500. That was a low estimate, conservative estimate, between 9200 and 9500.

Q--You say your estimate for the year is 12,000, how do you make up the difference between 9,000?

A--3,000 to the Nipigon Fibre Company.

Q--You are actually selling nothing to them now?

A--They are actually taking nothing. The contract is still in existence, but they are not taking anything, and we are adtually billing them for the 3,000 h.p.

Q--At what price? A--$24 per h.p.

Q--That is according to your contract? A--According to contract.

Q--What prospect is there of ever getting any part of the amount for which you are billing them?

A--That I cannot tell; the matter is in litigation at the present time.

Q--Do you hold any bond for it? A--To the extent of $40,000.

Q--That would be absorbed in the amount owing at the end of 1921? A--Probably yes.

Q--So for this year you practically hold no security?

A--Other than the ordinary credit.

Q--You heard what Mr. Clarkson said? A--No, I was not here; I was here just the last few minutes.

Q--So that if you recover nothing from them, your total revenue for the year would be what you receive from Port

[illegible] in 20,000 [illegible], approximately [illegible], we expect to [illegible] in the residential [illegible] of four [illegible], in 1 [illegible], [illegible] [illegible] revenue.

Q--About 2,000 you say in your [illegible]

A--About 3,000. We have exceeded that, as I [illegible] the state is increased, over 3000. That was a too estimate, [illegible] or estimate [illegible] year.

Q--You say your estimate for the year is 7,000, how is you make up the difference between 3,000?

A--8,000 to the Pilgrim Tube Company.

Q--You are actually contributing to them now?

A--They are actually taking nothing. The contract is still in existence, but they are not taking[illegible], and we are actually billing them for the 3,000 k.w.

Q--At what rate? A--[illegible] per k.w.

Q--That is according to your contract? A--According to contract.

Q--What prospect is there of ever getting any [illegible] of the amount for which you are billing them?

A--That I cannot tell; the matter is in litigation at the [illegible]

--Do you [illegible] bonds for it? A--No the amount is [illegible].

Q--That would be accounted in the [illegible] of the [illegible] 1907? A--Probably yes.

Q--So for this year you [illegible] on [illegible]

A--Other than the ordinary credit.

--[illegible] Q--[illegible] Transmission [illegible] A--No, I [illegible] there, I [illegible] the [illegible] for [illegible].

Q--Do I [illegible] you are [illegible] [illegible] interest for [illegible] you [illegible] [illegible] [illegible] [illegible]

Arthur? A--Under these assessments that would be correct.

Q--In 1923, for the year ending October 31st, next year, you estimate 25,000 h.p. How is that made up?

A--It was made up on applications we had had and proposed extensions to the Kam Fibre and Paper Company and the municipality of Port Arthur on which they expected to increase their load to 10,000 h.p., and made application for such. We also included in that load approximately 15,000 h.p. in addition to the increase of 7,000 h.p., some 15,000 for the increased requirements of the municipality of Port Arthur to take care of the increased requirements of the present pulp and paper company which is already operating there, and extending to take 1500 or 2000 h.p.

Q--Can you let us have a detailed list showing how that 25,000 is made up? A--I can, yes.

Q--Have you any contract with any responsible company to take any part of that?

A--The contracts of those companies are with the municipality of Port Arthur and are situated within the municipality. These companies are at the present time taking power.

Q--They are all within the municipality? A--All of them except the Nipigon Fibre and Paper Company which is in Nipigon.

Q--Are you aware of whether they have come to any agreement, or just expressed their hope?

A--I do not know whether they have or not. They are dealing direct with the municipality of Port Arthur. That matter is entirely in their hands.

Q--Then it is a possibility they might take nothing at all in addition to what they are taking now?

A--I cannot say that. It depends on circumstances.

Q--If it does not materialize, then there is no prospect

[illegible]

years 1902, for the year ending June 30, 1903, you estimate 15,000 h.p. How is that made up?

A--It was made up on applications we had had and prepared estimates to the Rum River and Pepin Dam and the possibility of Fort Snelling on which they expected to [illegible] for such. We also included in that total approximately 4,000 h.p. in addition to the increase of 7,[illegible] h.p., some 15,000 for the increased requirements of the municipality of Fort Arthur to take care of the increased requirements of the present only and paper company which is already operating there, and entering to take 1500 or 1600 h.p.

Q--Can you let us have a detailed list showing how that 25,000 is made up? A--I can, yes.

Q--Have you any contract with any responsible company to take any part of that?

A--[illegible] of Fort Arthur and are interested within the municipality. [illegible]

Q--They are not within the municipality? A--No, it is the [illegible] Mill Company.

Q--Are you aware of whether they have been in any agreement or just expressed themselves?

A--I do not know whether they have or not. They are [illegible] [illegible] in existence in which banks.

[illegible]

All in addition to what they could drive from [illegible]

A--I [illegible] that time. I'd answer to [illegible]

Q--[illegible] not [illegible], [illegible] to [illegible]

of any increase over the present year except a reasonable amount might be taken by Port Arthur for other purposes?

A--Port Arthur will increase; they were up to approximately 15,000 h.p. on account of its customers. Those are all the extensions under way at the present time, and the Port Arthur Pulp and Paper Company are expending money to take this power, and other concerns in the municipality, that is the elevators and things of that kind. That is the general increase.

Q--Have you anything in writing from them stating with any definiteness what they will do?

A--I believe we have a statement from the municipality of Port Arthur as to what they expect to take this year and pointing out - I have not that communication with me now, but it can be got.

Q--I see in this estimate of 25,000 you include 10,000 for this Nipigon Fibre and Paper Company which is now in a bankrupt condition? A--Either one or the other; it is not only the Nipigon Company, but we put that in, if we get the Nipigon Fibre and Paper Company and the other 7,000 or 10,000 h.p. increase from the two companies, then we would have 35,000, that is providing the pulp and paper company come on.

Q--If they do not come on, you still think there is a possibility of your selling 25,000? A--With the Kam Pulp and Paper Company going on with their extensions as they propose and have prepared certain plans for going on. In addition I might say, Mr. Chairman, we also have applications for 10,000 h.p. which has not materialized, and has not been put in the estimate, from the Detroit Sulphide and Paper Company which proposed locating in the district and do buy considerable wood from that district at the present time.

of any increase over the present year cost, a reasonable amount might be taken by Port Arthur [illegible] other parties:

A--Port Arthur will immediately take up approximately 10,000 h.p. on account of the machines. There are of the extended [illegible] of the present mill, and the Port Arthur Pulp and Paper Company are expecting [illegible] to take this power, and [illegible] in the neighborhood, that in the elevators and things of that kind. That is the general increase.

Q--Have you anything in writing from these showing with any definiteness what they will do?

A--I believe we have a statement from the municipality of Port Arthur as to what they expect to take this year and pointing out - I have not that communication with me now, but it can be got.

Q--I see in this estimate of 25,000 you include 10,000 for the Nipigon Fibre and Paper Company which is now in a dormant condition? A--Either one or the other; it is only the Nipigon Company, [illegible] I have got the Nipigon Fibre and Paper Company and the other 7,500 or 10,000 h.p. increase among the two companies. [illegible] the [illegible] pulp and paper [illegible]

Q--If they do not come in, you will then [illegible] the plant with 25,000? A--[illegible] Pulp and Paper Company going on with their extensions as they promise and have [illegible] to [illegible] In addition I might say, Mr. Chairman, we also have another order for 10,000 h.p. which has not materialized, and it has been put in the estimate, [illegible] and Paper Company [illegible] to the extent of [illegible]

Q--Have they any limits there? A--They obtain a great deal of their supply from that district direct by purchase, I do not know what areas they have there.

Q--Have they started to erect a plant? A--No, they just proposed doing so and grinding their pulpwood there.

Q--Have they bought a site? A--Not that I know of. I cannot tell you definitely what they have done.

Q--You can hardly bank on that? A--We did not. We had the application and we did not use it in the estimate. I am just giving you the application.

TO MR. MORRIS:

Q--That would only be for ground woodpulp? A--Yes.

Q--They had their own mills; this was going to be what they would get off freehold land? A--I do not know what their proposition was as far as pulp areas are concerned. I believe they have negotiations with the Government to give other lands.

Q--The only pulpwood you can get is off freehold land?

A--That is what they are taking now; their purpose was to get other land and grind the wood in the district.

TO THE CHAIRMAN:

Q--For 1924 you make it 30,000?

A--That is the normal usual increase to the customers of the municipality of Port Arthur.

Q--That is a good deal in one year, 5,000 after the big increase you estimate the year before?

A--No, not taking into consideration the prospects in the district and the number of elevators operating there and the general increase in the district.

Q--Can you divide that 30,000 for 1924 for us, between the municipal requirements and the requirements for these other companies? A--I would say that would be anywhere from

~~from~~

18,000 to 20,000 for the general municipal requirements; that would include elevators and other mills which they already have in operation.

Q--18,000 to 20,000? A--And the other 10,000 is to take care of the increased pulpwood or paper manufactories in that district.

Q--Then for 1925? A--That is taking the combination; we also have applications from Fort William Pulp and Paper Company for an increase, and negotiations were entered into for an increase in that mill requiring an addition of from 11,000 to 19,000 h.p.

Q--Have you a contract with them? A--No, simply negotiations that they desired to increase their mill to a certain capacity and instal a paper mill in Fort William on the Mission.

Q--Have you fixed a price with them? A--We have not got to that point, no.

Q--Then in 1926? A--We felt either the Port Arthur Pulp and Paper Company or the Fort William Pulp and Paper Company would be using the full amount of power, which would give the additional 10,000.

Q--How much of that 50,000 would be municipal load?

A--I would say somewhere in the neighborhood of 22,000 and 25,000.

Q--And the remainder? A--From these new companies that we have in consideration.

Q--In 1926? A--There would not be 40,000 - between 25,000 and 27,000 for pulp and paper interests over and above what they have there at the present time.

Q--1927, 60,000, how do you make that up, Mr. Gaby?

A--That was figured on the completion of those companies interested such as the Fort William Pulp and Paper Company or the Nipigon Company, and the Port Arthur Pulp and Paper

[illegible]

That would [illegible]

[illegible]

Q--38,000 to 40,000?   A--And that would [illegible] take care of the increased pulpwood or paper industries in that district.

Q--[illegible]   A--That is taking the contingency, [illegible] company for an increase, and negotiations [illegible] for an increase in that mill requiring an addition of from 17,000 to 19,000 h.p.

Q--Have you a contract with them?   A--No, simply [illegible] that they desired to increase their mill to a certain capacity and install a paper mill in Fort William on the [illegible]

Q--Have you fixed a price with them?   A--[illegible] to that point, no.

Q--Then in 1926?   A--We left either the [illegible] Pulp and Paper Company or the Fort William [illegible] Paper Company would be using the full amount of power, which would give the additional 10,000.

Q--How much of that 50,000 would be municipal load?

A--I would say somewhere in the neighborhood of 23,000 and 25,000.

Q--And the remainder?   A--From these new companies that we have in consideration.

Q--[illegible]   A--There would not be 50,000 - between 23,000 and 27,000 for pulp and paper interests over and above what they have there at the present time.

Q--1927. 60,000; are you able to make that up, Mr. Gaby?

A--That would depend on the completion of the agreements [illegible]

[illegible]

Company, and possibly increases in their interest in that district, on completing the Fort William Pulp and Paper Company from 11,000 to 19,000, and Port Arthur to 10,000, and general increases in the district.

Q--How much would that be for pulp and paper companies?

A--Between 30,000 and 35,000.

TO COMMISSIONER HANEY:

Q--You had 40,000 in 1926 for pulp and paper?

A--That includes what is already there. I was figuring 30,000 to 35,000 additional.

Q--Including that already there, it would amount to how much? A--About 40,000 - between 35,000 and 40,000.

Q--There is 50,000 in 1926, and 40,000 was pulp and paper, and in 1927, 60,000? A--In 1926 we have calculated in bringing that forward, 6,000 h.p. for the municipality of Fort William.

TO THE CHAIRMAN:

Q--In 1926 how much of that 50,000 is for pulp and paper which is now established and which you contemplate will be established? A--I would say between that 60,000 h.p. in 1927 -

Q--1926 I was speaking of? A--I would say between 25,000 and 27,000 h.p. maybe 30,000.

Q--Then in 1927? A--That would include 6,000 additional and the general increase in loads in the municipalities of Fort William and Port Arthur.

Q--That would make the amount used for pulp and paper somewhere about 40,000? A--No, between 25,000 and 28,000; increase in Fort William is 6,000, and general increase 3,000 and 4,000.

Q--How do you arrive at those figures? A--In the first place we had inquiries; they are using today approximately 5,000 h.p. within the municipality.

[illegible] ... [illegible] ... their interest in the [illegible] ... [illegible] ... Port Williams Pulp and Paper [illegible] ... 40,000, and general increases in the industry.

Q--How much would that be for pulp and paper [illegible]

A--Between 30,000 and 35,000.

TO CROSS-EXAMINATION BY MR. BARNEY:

Q--You had 40,000 in 1926 for pulp and paper?

A--That includes what is already there. I was figuring [illegible] to 65,000 additional.

Q--Including that already there, it would amount to how much? A--About 40,000 - between 35,000 and 40,000.

Q--There is 50,000 in 1926, and 40,000 was pulp and paper, and in 1927, 60,0000 A--In 1926 we have installed in bringing that forward, 6,000 h.p. for the [illegible] ... [illegible] ...

TO MR. DEFILLAND:

Q--In 1926 how much of that 50,000 is for pulp and paper, which is now established and which was [illegible] in existence? A--I would say between that 30,000 [illegible] ...

[illegible] ... A--I would say [illegible] ... [illegible] ... 50,000.

Q--Then in 1927? A--That would include 6,000 additional [illegible] the general increase in loads in the municipalities [illegible]

Q--It would make the amount used for pulp and paper [illegible] about 40,0000? A--No, between 25,000 and 35,000; increase in Port Williams is 6,000, and general increase 3,000 and 4,000.

Q--Do you anticipate at these figures? A--In [illegible] ... [illegible] ... 1,100 h.p. [illegible] ...

Q--Of Port Arthur ? A--Yes. Then we had applications for 7,000 additional, and approximately, 2,000 additional for the Port Arthur Pulp and Paper Company, that makes about 9,000. That is 14,000 or 15,000 for pulp and paper, for industries already in existence. In addition to that, we had the application of either the Nipigon Pulp and Paper Company for 10,000 or the Fort William Pulp and Paper for from 11,000 to 19,000.

TO COMMISSIONER HANEY:

Q--What year would that be in? A--We spread it over. These applications are in existence at the present time, and they are propositions. We have tried to give as conservative estimates as we could as to how these powers would come on, providing they went on with that work in the not too distant future, not this year but in one or two years hence.

TO THE CHAIRMAN:

Q--You have really nothing substantial to base that on?

A--No contracts, just simply negotiations and interests of the district.

Q--Which may be consummated in a contract or may not?

A--It may, and we are simply taking into consideration the proposals as to what the interests of these companies were for the carrying on of these propositions.

Q--In 1927 your estimate is 60,000; how much of that is for pulp and paper purposes, and how is the proportion for pulp and paper made up? A--The present industries from 14,000 to 15,000 h.p. already located and operating within the municipality of Port Arthur. 5,000 they are taking at the present time; the increases in the Port Arthur Pulp and Paper Company and the Kam Company which they propose going on with - one is already built and they have expended the

Q--[illegible] years action? A--Yes. Then we have applications [illegible]

[illegible]

[illegible] the Port Arthur Pulp and Paper Company, that [illegible] about 5,000. That is 14,000 or 15,000 for pulp and paper for industrial already in existence. In addition to that, we have the application of either the Spruce Pulp and Paper Company for 10,000 or the Port Arthur Pulp and Paper for from 17,000 to 19,000.

TO COMMISSIONER MANN:

Q--What year would that be in? A--We expect it over [illegible] and they are propositions. We have tried to give as conservative estimates as we could as to how [illegible] would come on, providing they went on with that work in the not too distant future, [illegible] this year and 1[illegible] years hence.

TO MR. CONNELL:

Q--You have really nothing substantial to base that on? A--No. Considerable that simply represents our interest [illegible].

Q--Which may be concentrated in a contract or may not? A--It may, and we are simply taking into consideration the proposals as to what the interests of these companies were for the carrying on of these propositions.

Q--In that your estimate is 60,000; how much of that is for pulp and paper purposes, and how is the proportion for pulp and paper over up? A--The present industries from 14,000 to 15,000 h.p. already located and operating within the municipality of Port Arthur. 5,000 that was [illegible] at the present time; the increase in the Pulp Company and Paper Company and the Ena Company which have [illegible] the work - one is already built and the [illegible] the

money necessary to take the power; that gives us 14,000 to 15,000 h.p. - about 9,000 we estimated extra. Then we estimated in 1927 municipal loads to the extent --

Q--I did not mean municipal loads, just the pulp and paper, first of all? A--Additional 10,000 in that between the Nipigon Pulp and Paper Company or the Fort William Pulp and Paper Company.

Q--That makes 24,000? A--Approximately. At least 15,000 in these two. The rest was for municipal load, between Port Arthur and Fort William.

Q--That is 29,000 for pulp and paper and 31,000 for municipal load? A--Approximately, yes, We figure on about 20,000 to 22,000 to the municipalities up to that time in their joint loads, and an increase of Fort William then of 7,000 h.p., gives us the additional. In other words, we take the increment of 10,000 h.p. for Fort William and the Municipality of Port Arthur in that year.

TO MR. MORRIS:

Q--Fort William Pulp and Paper Company take their power from the Kam? A--They do at the present time.

Q--And they have a long term contract? A--Yes, but they require additional power.

Q--Why have you any hopes of getting power from that source?

A--They could not obtain additional power from the present installation of the Kam Power; and they are asking to negotiate with the Commission to get their additional requirements to extend their power mill.

Q--The two mills are very close? A--Their negotiations were commenced in July of this year.

Q--You havenot very much hope of that materializing, have you

TO COMMISSIONER R.A.ROSS:

Q--Has Kam anything to sell? A--The company's officials

money would only be take one answer; that where [illegible] 12,000 to 12,000 h.p. - about 5,000 we estimated [illegible]. [illegible] estimate in 1927 municipal loads to the extent --

Q--I did not [illegible] Tuesday, just the [illegible] paper, either on [illegible] A--Additional 12,000 in that [illegible] the [illegible] and [illegible] Paper Company.

[illegible] A--[illegible] in these two. The next was for municipal load, however [illegible]

Q--That is 29,000 for pulp and paper and 21,000 for municipal load? A--Approximately,yes. We allowed on about 20,000 to 22,000 to the municipalities up to that time in their total loads, and an increase of just fifteen thousand or 7,000 h.p., gives us the additional. In other words, we take the [illegible] assessment [illegible] at 30,000 h.p. for Port Arthur and the municipality of Fort Arthur in that year.

Q. Mr. [illegible]:

[illegible] from the Kaw? A--They do at the greatest time.

Q--And it is have a long term contract? A--Yes, but they require additional power.

Q--Why have you any hope of getting power from the [illegible]

A--They do not obtain additional power from the [illegible] generation of the Kaw river; and they are seeking to negotiate with the Commission to get their additional [illegible] around their power [illegible].

Q--The two [illegible] are very [illegible]? A--[illegible] work [illegible] assessed in 1927 of this year.

Q--You present very [illegible] of that [illegible], but [illegible]

[illegible]

Q--[illegible] anything [illegible]? A--[illegible]

said not.

TO THE CHAIRMAN:

Q--I understand, Mr. Gaby, for 1927 the pulp and paper amounts to about 29,000? A--29,000 to 30,000.

Q--In 1928? A--That was the general increment on all these loads, in that district including pulp and paper, and the same thing for 1929.

Q--Would there be any proportion of that pulp and paper?

A--Yes, probably some proportion, through existing concerns - completion of their installations and making use of the maximum amount of power for the use of their industries.

Q--Have you any contract yet with the Nipigon?

A--We have a proposed contract which they have in their hands at the present time. The difficulty is cleaning up their affairs to the old company; they have not been able to execute that, but I understand the terms are satisfactory to the company. I assume you are referring to the company which propose taking over the assets of the Nipigon.

Q--I know nothing about it except it is in liquidation, and the assets are not sold? A--There is another company proposing to take over the assets of the Nipigon Company, and they have obtained a contract.

Q--You have heard even the land and buildings does not belong to the company? A--We knew that, but they are negotiating for the purchase of such rights,. I do not know about the buildings.

Q--The contract may be signed or may not be signed?

TO COMMISSIONER HARRIS:

Q--Is it still at the old price, $24?

A--No, because that was for a small amount of power, 3,000 to 4,000. Their proposition is to take 10,000. In other words, to enlarge the mills to take 10,000 immediately, and

Q--Do you know of any particular or that you [illegible]

A--[illegible]

[illegible]

[illegible]

they said in view of the difficulties they have found in winding up the affairs of the old company, although they proposed to take power on the 1st of July, they have been unable to clean up the affairs.

Q--What was the rate proposed? A--$18 for 10,000 h.p., at 110 volts - not the same conditions as giving power to Port Arthur; there is a difference.

TO COMMISSIONER R.A.ROSS:

Q--Under which contract are you billing the Nipigon Fibre Company? A--Under the original contract with the Nipigon Fibre and Paper Company.

Q--Was that liability agreed to? A--They agreed to pay up the liabilities of the old company in the contract which was submitted to them.

Q--So if that contract is signed, you are covered?

A--We are covered as far as the power that has been billed to the Nipigon Fibre and Paper Company.

Q--Will you explain to the Commission how in a plant which you yourself say has only 50,024 power, you are able to sell 70,000? A--The sale of power in any plant is dependable on the character of the contract entered into, the character of load that the customer takes, the average load to the maximum peak which he takes. The contracts entered into by the Commission are on a peak basis. Our revenue is obtained from the measurement of power on the peak basis. The ratio of the average load in that district to the maximum loads upon which the revenue is received is called the load factor. In a plant such as the Nipigon, we have considerable storage, and we have certain average flow conditions which can be taken advantage of. Over a certain period of time we can take care of the average flow of the water and yet handle maximum peaks of certain capacity in that plant. With a

[illegible]

[illegible] to the power in the [illegible] of [illegible], [illegible] have [illegible] to [illegible] by the [illegible].

[illegible]

at 220 volts - not the case [illegible]

[illegible] answer; there is a difference.

[illegible]

Q--Under which contract are you billing the [illegible] Power Company? A--Under the original contract with the Niagara Falls and Lewis Company.

--Is it a liability agreed to? A--They agreed to pay up the liabilities of the old company in the contract with [illegible] entitled to them.

--So if the contract is signed, you are covered?

A--We are bound as far as the power that has been billed to the Niagara Falls and Lewis Company.

Q--Did you explain to the Senate [illegible] why [illegible] you [illegible] may be only 50,000 power, [illegible] to sell 70,000? A--The rate of power is [illegible] a day [illegible] of the observation of the original [illegible] line, the observation of road that the [illegible] taken, that [illegible] to the [illegible] which be taken. The [illegible] [illegible] by the [illegible] are on a peak basis. Our revenue is [illegible] from the consumption of power in the [illegible]. The [illegible] of the average load is [illegible] to the [illegible] which the revenue is computed is called the [illegible] Factor. In a [illegible] the Niagara, [illegible] [illegible], and [illegible] average [illegible] be [illegible] advantage [illegible]. Over [illegible] [illegible] have [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

load factor of 50% we can carry a load on the Nipigon with an average capacity of 50,000 h.p. or 100,000 h.p. saleable contract or commercial load. If your load factor is 60%, then you have the difference between that, somewhere in the neighborhood of 75,000 to 80,000 h.p. That is the reason you can instal a greater capacity than the average water capacity of the development which you have under consideration. You do not obtain diversified contract such as we have under consideration with load factors muhh exceeding 50 to 65%, except in the case of basic raw material contracts, such as pulp and paper. For that reason we have increased the load factor in our estimate to this plant to 60 and 70%.

Q--You have an installed capacity of 75,000 h.p. in your plant? A--Yes.

Q--And you take on loads of 70,000, according to your statement for 1929. In a case of breakdown of one machine, how do you carry the remainder? A--By the additional spare capacity that is always inherent in generating equipment and turbines of that kind. They always have overload capacity of 10% to 20% and sometimes more. So that you would have, in addition to the 5,000 normal rate of capacity of machines, anywhere in that plant from 12,000 to 15,000 h.p. spare capacity, even if you were delivering 70,000 h.p. on load and probably more, due to the overload capacity of the various machines. That would give us from 10 to 15 to 20 per cent.

Q--You spoke of conserving your water to be able to take peaks and not let it escape over the dam. How do you propose to do that? Have you works for that purpose now?

A--We have works for that purpose. We have dams with proper stoplocks and means of cutting off flow of water down the stream other than that which has been used in the generation of power.

load factor of 80% do you carry a load on the digester with an average capacity of 80,000 h.p. or [illegible] h.p.-[illegible]

[illegible]

then you have the difference between that, somewhere in the neighborhood of 75,000 to 80,000 h.p. That is the reason you can handle a greater capacity than the average water capacity of the development which you have under consideration. You do not obtain diversified operations as we have under consideration with load factors much excessive. So to [illegible] except in the case of basic raw material operations, such as pulp and paper. For that reason we have increased the load factor in our estimate to this plant to 60 and 70%.

Q--You have an installed capacity of 75,000 h.p. in your [illegible]

A--[illegible]

Q--And you take on loads of 70,000, according to your [illegible] mark for 1920. In a case of breakdown of one machine, how do you carry the remainder? A--By the additional spare capacity [illegible] of that kind. They always have overload capacity of 10% to 20% and somewhere more. So that you would have, in addition to the 5,000 normal rate of capacity of machine, somewhere in that plant from 15,000 to 18,000 h.p. spare capacity, [illegible] due to the overload capacity of the various machines. That would give us from 10 to 15 to 20 per cent.

Q--You speak of conserving your water to be able to take peaks and not let it escape over the dam. How do you propose to do that? Have you works for that purpose now?

A--We have works for that purpose. We have dams with [illegible] stoplogs and means of cutting off flow of water from the stream other than that which has been used in the generation of power.

Q--The regime of that stream has not been changed as far as the run-off is concerned by anything you have done yet?

A--No.

Q--You propose building regulating dams? A--Yes, when the time comes and it is necessary to conserve the maximum drainage or water run-off in that district.

Q--What will that regulating dams cost, have you any idea?

A--I have not off hand.

Q--Is it included in the $13,500,000 which we have got in some figures of yours? A--I believe it is. I do not just remember at the moment.

TO THE CHAIRMAN: Q--Without that regulating dam, can you generate 70,000 h.p.? A--Yes, with this plant we can.

Q--Continuously? A--Not continuously. At 100% load factor, we can generate 70,000 h.p. for the purpose of commercial load, that is by the load factor we have estimated we will obtain.

Q--What can you generate continuously with your plant?

A--From the figures we have estimated -- although our actual figures show there is a higher one -- between 50,000 and 60,000 depending on the year.

TO COMMISSIONER R.A. ROSS: Q--Would that regulating dam be an expensive structure? Would it be of concrete or stone?

A--It would not be an expensive structure, and probably be of crib construction.

Q--A matter of $100,000 or $200,000?

A--About that, not much more -- $200,000 or $250,000.

TO THE CHAIRMAN. Q--You say the total amount used for pulp and paper would be approximately 50,000, that would be continuous power, would not it? A--That was referring to the year 1927, probably 30,000 to 35,000 h.p.

Q--Take 1928 and 1929? A--Probably 30,000 to 35,000 h.p.

Q--That would be continuous power, so that the part of the horsepower from which you would get advantage of diversity would be comparatively small? A--No, half the capacity.

Q--The results of that stream have not been changed so far as the run-off is concerned by anything you have done, have [illegible]

[illegible] time season and it is necessary to concrete the machine drainage or water run-off in that district.

Q--That will that regulating dam cost, have you any idea?

A--I have not off hand.

Q--Is it included in the $[illegible],000,000 which we have you a some figures of yours? A--I believe it is. I do not that remember at the moment.

TO THE CHAIRMAN: Q--Without that regulating dam, can you generate 70,000 h.p.? A--Yes, with this plant we can.

[illegible] we can generate 70,000 h.p. for the purpose of commercial [illegible] that is by the load factor we have estimated so will obtain.

Q--What can you generate continuously with your plant

A--From the figures we have estimated -- although our total figures show there is a higher one -- between 60,000 and 65,000 depending on the year.

TO COMMISSIONER R.A. MCGEE: Q--Would that regulating dam be an expensive structure? Would it be of concrete or stone?

A--It would not be an expensive structure, and probably be of earth construction.

Q--A matter of $200,000 or $300,000?

A--About that, not much more -- $300,000 or $350,000.

TO THE CHAIRMAN: Q--You say the total amount used for pulp and paper would be approximately 80,000, that would be continuous water, would not it? A--That was referring to the year 1927, probably 30,000 to 35,000 h.p.

Q--This year and 1928? A--Probably 30,000 to 35,000 h.p.

Q--That would be continuous power, so that the part of the horsepower from which you would get advantage of diversion would be comparatively small? A--No, half the capacity.

We have figures 30,000 to 35,000 h.p. with a load factor of around 92 and 95 per cent, and it was paper mills that were used and not groundwood, that would go below 90%. Then you have a load factor, that is yearly load factor of not more than 40% of the character of loads that are obtained in the municipality of Port Arthur. That is mostly milling loads or grain elevators. That is the maximum condition as far as they are concerned. They are not a high yearly load factor proposition. Say 65% to 70% would be a high load factor for even these combined factors of 30,000 to 35,000 h.p. of ground wood or pulp and paper load.

TO COMMISSIONER R.A. ROSS: Q--The simple way of expressing it would be 30,000 h.p. for pulp at 100% load factor, 30,000 at 50%, leaving 20,000 for municipal loads, which at 50% load factor is a reasonable amount? A--High in that case.

Q--It would amount to 40,000 more, and the two together make 70,000. That is how on the estimate you get at it?

TO THE CHAIRMAN: Q--That is substantially how you get at it? A--Yes, in general that is the way we figured out the load factor used about 90% or 95% for the purpose of pulp mills, and anywhere from 30% to 50% for the general load.

Q--Can you tell us for what you used the capital that you expended during the present year? A--Just miscellaneous items such as the completion of small items and works that has come over from other years, and probably been expended in the other years and charged into this year, and for the construction of cottagesfor operators. That is about all.

Q--It has been expended pretty well up at Cameron Falls? A--Cameron Falls.

Q--You estimate here that the expenditure in 1923 will be just the same as in 1922? A--Yes.

Q--You propose to make no capital expenditure in that year?

A--Propose to make none.

Q--Supposing some of these pulp companies should materialize?

Q--That capital expenditure would be commenced, the installation of equipment would take from one year to 15 months; during that year it would be simply expenditure necessary to extend that plant in order to take care of these additional requirements.

Q--If a company began to construct its works, would not it necessitate you going on and expending capital?

A--If we get a contract from that company, it would necessitate us -- if they were taking any more than the amount necessary to make up the 25,000 h.p. -- it would require that we should go on and extend our plant to take care of their requirements.

TO COMMISSIONER R....ROSS: Q--You could easily keep pace with them in a matter of that kind? A--It usually takes anywhere from a year to 18 months for a pulp plant to be built or even to extend it, and we can get generators or equipment in a year to 15 months.

TO THE CHAIRMAN: Q--You think you can produce 30,000 without any additional capital expenditure? A--No, we have not done that at all. We have added one-third unit, 30,000 h.p.

Q--But for 1923, you estimate 25Ø,000 h.p., and you estimate no expenditure for that year? A--We feel with the equipment we have there and the water conditions as they are, we can generate up to 30,000 h.p.

Q--Supposing one should break down, you have none in reserve? A--We can draw on the Current River plant of the municipality to the extent of anywhere from 3,000 to 4,000 h.p., as high as 3,000, and with the additional capacity we have in this equipment, we probably could carry on very well the loads of the municipalities and the companies.

Q--In your capital investment for these different years, do you make any provision for capitalization of the interest accruing? A--No, interest is only capitalized during the period in which you are constructing the plant.

Q--But interest is accumulating in this system in other years? A--We do not make any additions to capital on account of interest charges in the statements that we have put in.

Q--So that if interest accumulates and bears interest, other provision would have to be made? A--Have to be provided for in some other way.

Q--If it were included in your estimate, it would amount to considerably more than it does? A--It is not included in the capital.

TO COMMISIONER R.A. ROSS: Q--When you are building a plant, it is usual to borrow the money and expend it from time to time as the plant is being built, and the interest charges on that money so invested you charge to capital account. Have not you any allowance in your estimate for that during the years of construction? A--Yes, during the period in which the extensions are being made, the interest on that capital was chargedi to construction. The interest on account of operation, that is after the capital expenditure has been made, includes that interest charged during that period; the interest during operation is not charged to capital.

Q--It is charged to operating? A--Charged to operating

Q--I thought your statement was that you have not in your estimate of capital cost any allowance for interest during construction? A--I qualified that in stating I had no operating interest in this capital. I referred to operating interest to begin with. The interest is included during the periods of construction of the plant

Q--Do you know anything of the [illegible] in
to you over any provision for [illegible] of the [illegible]
accounts? A--No, interest is only capitalized during the
period in which [illegible] accumulates [illegible].

Q--Not interest is accumulating in the meantime in a few
years? A--No so far [illegible] to [illegible]
account of interest charges in the statements that we have
[illegible].

Q--Do that if interest [illegible] and [illegible] any [illegible]
other provision would have to be made? A--Yes, it is [illegible]
ridiculous in some other way.

Q--If it were included in [illegible], it would [illegible]
to [illegible] more than [illegible]? A--I do not [illegible]
in the capital.

Mr. [illegible]: [illegible] [illegible]
plant, it is usual to [illegible] [illegible]
time to time as the [illegible] [illegible], [illegible]
charge on that [illegible] [illegible]
[illegible]. Have not you any [illegible] [illegible]
that [illegible] the year [illegible]? A--Yes, [illegible]
period in which the [illegible] are being made, [illegible]
on that capital was charged to [illegible]
on account of operation, that is [illegible] the capital has
been made, including that [illegible] during [illegible]
[illegible] the interest [illegible] operation [illegible]
[illegible].

Q--It is charged to operation? A--Charged to operation
[illegible]

[illegible]
during construction? A--I [illegible] [illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

on moneys expended during that period.

TO THE CHAIRMAN: Q--In your estimates of power, do you make any provision for the Great Lakes? Do you include them in it?

A--We have not, no. We felt, although that is a possibility, it might be either Fort William Pulp and Paper Company or the Great Lakes because I do not know whether there might be a possibility of consolidation, and we did not include both of them in preparing our estimates.

TO COMMISSIONER HANEY: Q--Why do you make the statement they might be consolidated? A--I do not know whether there will be consolidation or not; there were certain statements that there might be a possibility of such a thing; I have no evidence that there is.

TO THE CHAIRMAN: Q--They have been carrying on distinct negotiations with you for sometime? A--Yes.

Q--They would require approximately how much? A--If they carried on on their own account as an undertaking, carrying on a 200 ton mill, they would require 20,000 h.p.

TO COMMISSIONER HANEY: Q--That would practically use up your 50,000? A--Do you mean that increase to 50,000?

Q--Yes? A--Yes, between 30,000 and 50,000.

Q--Then you would not have anything left? A--If we get to that point, there are other developments on the river which can be developed.

Q--If that came on, you would not have sufficient power to supply municipal loads and the pulp companies?

A--At the present time we would -- up to 1929. The estimates of 1929. For instance, the pulp companies at the present time require 20,000 h.p. We can make provision for that immediately in addition to what the municipalities are taking.

Q--You made estimates for the requirements for pulp approximately 30,000, -- if during the same period a request

was made for 20,000 h.p. more by the Great Lakes, you would not have anything left for municipal purposes, if you supplied them, because all your power would be taken?

A--You mean on an average load conditions?

Q--On 24 hour? A--Under conditions of that kind, the interest of the undertaking would be to develop another development on the river. We would have to develop another development on the river, but that is some great distance in the fugure; that takes up to 1930.

Q--If the Great Lakes came in with the development which you have suggested, they will take 30,000 h.p.?

A--Under these assumptions you are correct. We would have to make additional development to take care of that district.

TO THE CHAIRMAN: Q--You would have to do it before?

A--We would do it concurrently.

TO COMMISSIONER R.A. ROSS: Q--In other words you would have to take care of your old customers first, and especially the municipalities? A--Yes.

Q--For new companies coming in and requiring large amounts of power, you would not put your other customers out?

A--No.

TO THE CHAIRMAN: Q--In the statement you gave to us, Page 3, you have three headings for capital expenditure, transmission lines, generating stations and sub-stations, would that comprise everything or might there be capital expenditure which would not come under any of these three headings? A--That comprises everything -- all overhead and all expenditure chargeable to capital.

Q--You arenot sure whether you include that storage dam?

A--It would not in the early days. I believe it does in the last.

Q--You make no reference to it? A--No.

TO COMMISSIONER R.A. ROSS: Q--I have seen reference

to that somewhere; possibly it may be in that blue book or in documents which you have put in in reference to that?

A--We did refer to it in this document (blue book). I do not think we gave details. That might include that storage dam; there were certain amounts included in the estimates, from $9,000,000 to $11,000,000 odd. That will be 1927 on.

TO THE CHAIRMAN: Q--You have an itemized statement showing how these amounts are made up? A--I can get an itemized statement.

Q--Have you got an itemized statement there showing how the 1926 capital expenditure is arrived at?

A--Simply arrived at by adding -- that included two circuits of wood and steel, with additional transmission lines to Port Arthur, also extra loop from Nipigon to Bob Spruce, I think it is, including five units instead of two in there at the present time. It includes also the inter-city station, and about 56 to 1,000 kilowatts, equivalent to between 75,000 and 80,000 h.p. in equipment at Inter-city Station.

Q--Your capital investment at the present time is about $6,500,000. To me, as one who knows nothing about engineering, it seems strange to put in four additional units -- you would require an expenditure equal to what you have incurred now; in putting up power houses and transmission lines, you double it up?

A--That is not quite correct. When you reach 1927 it is not quite double. 1927, in which you have added six units, you have three circuits, transmission lines, and you have Inter-city stations, which you have not at the present time. In other words, you more than double the equipment, you have tripled the capacity as far as the plant is concerned and as far as the lines are concerned and as far as the transformer is concerned, and the expenditure is approximately doubled.

Q--In which of these columns do you provide for storage?

[illegible] remember; possibly it may be in [illegible]

A--[illegible] [illegible] [illegible] [

A--It would be in the generating, six units, nine millions.

TO COMMISSIONER R.A. ROSS: Q--All your contracts provide for a minimum 75% of load to be paid for whether taken or not? A--Yes, sir.

Q--The customer is not bound to take more than 75% or pay for it? A--Yes.

Q--From that condition one of two results may occur: either your estimates may be 25% too high or to get the full load, they may have to oversell their capacity. In other words, that question is this: Are you basing this on the amount that they contract for or are you basing it on the amount that you expect to sell?

A--We base it on the amount we expect to sell.

Q--Some of these may only pay 75%?

A--In that there is a certain amount of diversity. Some of these may be buying 75% and not using the power. That is, you have got that diversity between these contracts as far as sale is concerned. You have maximum peaks of certain customers at certain times, and you have practically 75% peaks of other customers. In other words, you have a diversity of the operations of these various customers in estimating the average condition of the year.

Q--Have you allowed for any diversity? A--We have allowed, yes -- I do not say we can give it to you in percentage. These are average conditions we would obtain for the year, and with these average conditions we would be able to deliver that load with a capacity of 75,000 installed there.

TO COMMISSIONER HANEY: Q--Does that apply to the pulp and paper industry? A--Yes, to a certain extent. We do not always have all the pulp companies operating at maximum all the time.

Q--I suppose grinding pulp is practically continuous?

A--Yes, practically continuous - 95%.

Q--There might be some diversity in paper?

[illegible] is in the [illegible], [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] your estimate may be too high or to put the [illegible] load, they may have to overcall their capacity. In other words, that question is this: Are you basing this on the amount that they contract for or are you basing it on the amount that you expect to sell?

A--We base it on the amount we expect to sell.

Q--Some of these may only pay 75%?

A--In that there is a certain amount of diversity, [illegible] may be buying 75% and not using the power. That is, we have got that diversity between these customers as our [illegible] is concerned. You have maximum peaks of certain [illegible] at certain times, and you have practically 75% [illegible] of other customers. In other words, you have a [illegible] of the operations of these various customers in [illegible] of the [illegible].

Q--Are you allowed for any diversity? A--We have allowed [illegible]

[illegible]

There are average conditions we would obtain for the year, and if in there ever are conditions we would be able to satisfy that load with a capacity of 75,000 installed there.

TO CHAIRMAN-HARDY: Q--Does that apply to the city and power inventory? A--Yes, to a certain extent. We do not change here all the city companies operating at maximum all the time.

Q--I suppose practice only is practically [illegible]

A--Yes, practically [illegible] - 75%.

[illegible]

A--Yes.

Q--Would the Hydro Commission get the benefit of that diversity to the power that was sold in the municipality?

A--No, the municipalities would get that. We would simply get it in the average conditions, and apply it on our station, that we would have got from delivering power directly to the customers.

Q--The only diversity you would get would be from delivering power directly by the Commission ?

A--That is diversity as far as money is concerned. As far as load is concerned, diversity would be the same.

TO THE CHAIRMAN : Q--In this statement that you have given us for 1922, you estimate operation, maintenance and interest and so forth, at $447,933, can you indicate, how these amounts are made up -- that is, sub-dividing the two items I have mentioned ? (Page 40) Operation $40,000, that is rather less than Mr. Clarkson ?

A--$43,000 is what we made it for 1922; that compares actually with conditions as they are obtaining today.

Q--Mr. Clarkson put the operating this year at $62,000 approximately ? A--He includes in that operation, maintenance, administration and water rental. We have a total of $73,000. He includes in that operation more than the items under direct operation.

TO COMMISSIONER R. A. ROSS : Q--Your comparison is $36,000, and Mr. Clarkson puts an estimate of $46,000 ?

A--$40,000 is really higher than the actual operation.

Q--We are worrying whether you are working this diversity business too hard. The municipalities have their diversity; you have a little diversity, as I understand it on your possible load, are you extending that to the water wheel you are saying you can get 70,000 h.p. out of 50,000 24-hour power ? A--No.

Q--Is that diversity? A--No, that is load factor; that is not diversity. That is the average load factor condition, and we feel that that condition will be better than we have estimated. We have been conservative in our estimated as far as the load factor is concerned.

TO COMMISSIONER HANEY: Q--That will give you 50% load factor? A--Better.

Q--You sell 30,000 h.p. which is continuous? A--Yes.

Q--Then you have 20,000 out of your 50,000 development, and you sell 70,000? A--Yes.

Q--That would give you? A--That would give 50% load factor; as a matter of fact your annual load factor would be less than that.

Q--If your pulp requirements were increased then of course your load factor would naturally be diminished. Supposing you increased your pulp requirements 40,000 then you only have 10,000 for municipal purposes?

A--That would be 20,000 under 50% load factor. It all depends on conditions. As a matter of fact, we were conservative in preparing our estimates on this load factor.

Q--Are you figuring on a reserve unit to take care of interruptions or breakdowns? A--We are in everything after we get past the first year. When we get 30,000, there is a reserve capacity for the unit -- and so on through the estimate that we have sent down, until we reach the 70,000; then we have an overload capacity of the remaining units and an extra capacity of the total units of the amount we have estimated. In diversity, no matter what the diversity is as far as the use of loads is concerned, that would also reflect in our loads as to whether we reserve or not, because we take no account of diversity in our estimates as far as revenue is concerned. We have taken 70,000 at so many dollars load condition and the capacity we have available to sell

that power, -- we have taken into consideration there would be a certain amount of diversity in the loads to the municipalities. Their diversity, no matter what it is, would be reflected in the load as though we had those loads. It does not make any difference whether they have them or we have them; it would as far as many is concerned. We have been discussing in the past -- and that has confused your mind to some extent -- that is the use of the diversity and the fact you can sell your power two or three times over; that may be as far as revenue is concerned, but when we get a load, as in the case of St. Thomas, as far as the municipality is concerned, it will have 2½ or 3% diversity; its peak is 2½ to three times its actual load, which is not the case as far as we are concerned. That is all ironed out, and we get actual load conditions on our system. That is not the diversity I am speaking of. That is diversity as far as revenue is concerned, but I am speaking of more or less load factor and diversity of operations of the customers as far as power is concerned. There is no relation between the one and the other. One has a measuring power, and the other is actual diversity depending on the condition and the use of the load -- and that is reflected in load factor as far as the system is concerned.

TO THE CHAIRMAN: In this statement that I have just been referring to you have put in the water rent at $6,000 that is approximately 50 cents per horsepower ? A--Yes sir.

Q--How do you arrive at that? A--All that matter has been discussed with the Government, there has been no definite rental set yet, we assume fifty cents.

Q--The Government has not said they will let you have it for fity cents? A--Not definitely settled.

Q--They may make it double that? A--They might , they have no definite arrangement.

Q--As a matter of fact you do not own the land where your plant is yet? A--I would not like to say that; we own practically all of it. There may be some dispute as to some section.

Q--Mr. Clarkson says it has not been conveyed?

A--It has not all been conveyed.

Q--He says private parties own considerable of the land?

A--Yes, there are certain dealings with some private parties.

Q--Rather an extraordinary state of affairs to have your plant on property of private parties without having some settlement? A--We have endeavoured to do so, it is rather difficult sometimes.

Q--You have a right to arbitrate? A--We have.

Q--Why haven't you exercised that right? A--I cannot tell you. That is a matter for the Commission to deal with, that is something that I have nothing to do with.

Q--Have you the ~~xxxxx~~ title from the Government for the property they own? A--I believe so, all they own and have rights on.

Q--I understand they never gave you a patent for it?

A--I cannot tell you; I do not know.

THE CHAIRMAN (To Mr. Pope) Q--Have you got a patent from the Government for the site at Cameron Falls?

MR. MCCONNAHAY: In this statement that I have just been referring to you have put in the matter that it is organizing by [illegible] per [illegible]?

Q--Now do you agree or that? A--All that matter has been discussed with the Government, there has been no definite result not yet, we assure fifty cents.

Q--The Government has not said they will let you have it for fifty cents? A--Not definitely settled.

Q--They may make it double that? A--They might, they have no definite arrangement.

Q--As a matter of fact you do not own the land where plant is now? A--I would not like to say that; we own practically all of it. There may be some dispute as to [illegible].

Q--Mr. Chairman says it has not been conveyed?

A--It has not all been conveyed.

Q--He says private parties own considerable of the land [illegible]

Q--Further an extraordinary route of actions to have your plant on property of private parties without having some settlement? A--We have endeavoured to do it in different somehows.

Q--You have a right to arbitrate? A--We have.

Q--Why haven't you exercised that right? A--I cannot [illegible]. That is a matter for the Committee to [illegible] that is something that I have nothing to do with.

Q--Have you the legal title from the Government for the property that you use? A--I believe so, all they can and have rights to.

Q--I understand they want you to pay a rental for it?

[illegible]

THE CHAIRMAN (Mr. Ross): Have you got a rental [illegible] for the other Canadian [illegible]

MR. POPE: I think there was.

Q--Have patents been issued? A--It is a question.

Q--You know you have not got patents yet? A--No I do not think so.

THE CHAIRMAN: (To Mr. Gaby): Q--Another item is interest, $326,100. How do you arrive at that?

A--Five per cent on the capital investment, $6,522,000.

Q--Why put it five per cent? A--Five per cent is the arrangement for the construction as far as we are concerned, with the Cabinet of the Provincial Government sometime ago.

Q--The Cabinet have no power to change it. The Statute provides it is to be a certain rate?

A--That is a question you will have to discuss with the Commission.

Q--Will the Commission enlighten us on that?

A--I could not tell you, I was present at several meetings in which that question was discussed with the Cabinet Ministers, and the instructions were that five per-cent would be the interest.

Q--What do you mean by the instructions were?

A--The question was dealt with as to whether it would be six or five. The question of rates was discussed as to certain contracts and as to what rate of interest would be charged the Commission for this proposition. Originally with the old Government it stood at four and a half.

Q--The old Government never made any change in the Statute?

A--No.

Q--The Statute states explicitly what the rate of interest should be? A--That was an arrangement made there, a verbal arrangement it is true, at the time in which we were told five per cent would be the interest rate.

Q--What was said? A--The matter was discussed and Mr.Peter Smith was brought down and there was a discussion as to what

[illegible]

[illegible] Have you been [illegible] a [illegible] [illegible]? A--No, I do not.

[illegible]

[illegible] Do you [illegible] at that?

A--[illegible] on the [illegible] Investment, [illegible]

[illegible] out in five [illegible]? A--[illegible] [illegible]

[illegible] for the [illegible] [illegible]

with the [illegible] of the [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible]

A--[illegible] a question you will have to discuss [illegible]

[illegible]

Q--[illegible] the [illegible] [illegible] [illegible]?

A--I could not [illegible] that [illegible]. I was present at [illegible]

[illegible] that question was discussed with the [illegible]

[illegible]

Q--[illegible] [illegible] made by the Investigating [illegible]?

A--The [illegible] was dealt with as to [illegible] [illegible]

[illegible] [illegible]. The question of rates was discussed as to

[illegible] [illegible] as to what [illegible] of [illegible] [illegible] [illegible]

[illegible] the [illegible] for this [illegible]. [illegible] with

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

Q--The old [illegible] [illegible] made any [illegible] in the [illegible]?

A--No.

Q--[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

rate of interest should be charged against these properties, six or five per-cent and the Premier said it would be satisfactory to use five per-cent.

Q--What do you mean by it would be satisfactory to use?

A--Interest charged on money loaned on this proposition; that is as far as I know, that was the statement made at that time.

Q--You must know the Government has no power to change it?

A--I do not know whether they are going to take on this Statute power or not and deal with that matter in a legislative way, that was something I was not dealing with.

Q--A session of the Legislature was held since then and the rate not reduced? A--These are the facts, I guess that in quite correct. I don't know whether they have taken any ention yet. These are the statements made and these are the agreements at that time.

Q--Is it not unusual to put the rate five per-cent when the Statute says it shall be more? A--We were expecting the Government to carry on that statement and therefore we paid the Government on the basis of five per-cent, and the cheque has been rendered to them.

Q--I understand they still carry the balance on their books? A--I do not know, it is not carried on ours, and they have accepted the cheque.

Q--Have you computed it at five per-cent all the way through? A--We did in the statement. We used five per-cent interest on capital that was invested in these different years.

Q--You are estimating your rental upon the amount of power sold, not on the amount generated?

A--The amount of power sold-- no, we have estimated on the amount of power generated, 1927, 60,000 sold, rental $32,500, same all the way through.

TO COMMISSIONER HANEY: Q--I do not quite see in this statement on page 3 where you have provided for the storage dam. Your statement here is quite clear as to the computation of your increases?

A--There is no reference at all to engineering. It will come under the second item, column 2, generating stations.

Q--Could we have details of the amount of that?

A--We could give you detail.

Q--That would be in 1927? A--I think it is 1927 the first year.

TO THE CHAIRMAN: Q//In your opinion on what should rental for water be based; on the amount that is generated, or on the amount sold? A--The usual method has been the amount generated and in some cases installed capacity.

Q--Over at Niagara? A--On the amount generated; the statement there is "Generated, used or sold" which means generated for commercial use, the amount coming out of these stations.

TO COMMISSIONER HANEY: Q--Generated and sold?

A--Generated and sold.

Q--At Nipigon do you think it should be the same?

A--Generated I should say.

Q--Your statement 1929-30 shows you will have installed there 75,000 h.p. and your water rental at fifty cents per h.p. although you say you will only sell seventy per-cent is $37,500? A--It is on the amount generated. It should be the average generated, I should say, for the year.

--Adjourned at 1 p.m. until 2.30 p.m.

OCTOBER 3rd, 1922.

--On resuming, at 2.30 p.m.

MR. CLARKSON.

TO THE CHAIRMAN: Q--In your statement this morning you told us that if nothing was recovered from the Nipigon Fibre

Company this year and if Port Arthur paid $20 per h.p. the deficit would be $343,404 ? A--That is what the statement shows.

Q--If the law were strictly carried out and Port Arthur paid the cost of the horse power according to this, then it would have to pay somewhere about $60 a horsepower ?

A--About $60 a horsepower.

MR. GALY, RESUMED

TO THE CHAIRMAN:

Q--Did you see the statement which Mr. Clarkson gave us this morning ? A--No sir.

Q--Mr.Clarkson estimated the expenses including interest and operation and maintenance for this year at $522,000. I notice he makes that rather less than you do, except as to interest; you make interest on a five per cent basis and Mr.Clarkson at 6.02 per cent basis. Have you any substantial disagreement with these figures Mr.Clarkson gives on the first page subject to your contention as to the interest rate ? A--Well, apparently as far as this statement is concerned the difference is you have added one per cent interest.

Q--In some items you make it rather more and one a little less ? A--Using 6.02 per cent.

Q--Mr.Clarkson stated to us that if nothing is recovered for the present year from the Nipigon Fibre Company and if you get from Port Arthur only $20 per horsepower, with the expenditure for this year the deficit would be $343,404.47. Would you agree with these figures ? A--In other words that is just a statement of figures made on the basis of certain assumptions. I would not assume to correct these figures. They are simply assumptions and from these assumptions you have worked out certain figures, I assume these figures are correct, according to the assumptions.

Q--Mr. Clarkson has made three statements, one in which he has not made an assumption at all, and that shows a deficit of $230,907 for this year ?

A--You are assuming in those conditions that interest is 6.02 per cent.

Q--Yes, and that is what it is as a matter of fact ?

A--I made the statement on the five per cent basis.

Q--The difference as I understand it between the two propositions is that one is 6.02 interest and the other five per cent, that is the only difference. It is a matter of assumption, taking different assumptions as to interest and conditions.

Q--In the interest rate we have taken the actual conditions as far as we know them ? A--I cannot interpret the act in connection with that. I understand the act is that the Lieutenant-Governor in Council shall determine the interest annually as far as the Commission is concerned.

Q--And having been determined, it appears that it must stand, subject to the action of the Legislature ?

A--That I cannot say. I do not know whether it is determined different for one thing than another.

Q--What about the rate you are charging Port Arthur ? What if any agreement has been arrived at with Port Arthur about that ? A--I do not know that any agreement has been arrived at between the municipality and the Commission. After studying the situation, taking into consideration the load and the probable load for the next year or two we arrived at $25 as a fair rate, and that if certain things happened, if the Nipigon Fibre and Paper Company comes on within a year, we estimate that could be reduced to $20. Then within one or two years the proposition would carry itself on a 5% basis.

Q--If you get the Nipigon Fibre and Paper Company on this year will the rate for Port Arthur this year be $20 so

far as the Commission can fix it ? A--That I cannot say for the Commission. They have set it at $25 and they are charging that at the present time. I believe they have advised the municipality, providing the Nipigon Pulp and Paper Company come on, they can reduce it to $20.

Q--From the time it comes on, or next year ?

A--From the time it comes on.

Q--If they receive payment for the whole of it this year then the Port Arthur rate will be $20 this year ?

A--That I cannot say. It is $25 now based on the present rate and charged to the Nipigon Fibre and Paper Company.

Q--I gather from your agreement that in the event of them selling power to Nipigon, Port Arthur will pay $20 per horsepower ? A--It was in the event of this new company coming on. Ten thousand load in accordance with the draft of the agreement.

Q--You mean the new company which may take over the assets of the bankrupt company ? A--Yes.

Q--If that should come on, from what time would the rate to Port Arthur be $20 per horsepower ? A--I do not know just what time, probably from the time that power was taken by that company.

Q--Port Arthur has refused to pay any more than $20, so we are told by Port Arthur ? A--I do not know that they refused but they have been paying the bills on the old rate that was in force previous to the establishment of the $25.

Q--And refused to pay more ? A--They have not paid more.

Q--They say they won't pay more ? A--That I do not know. They have not stated so to us; they have simply been paying on the other basis and still working for the decision in connection with the request that their rates be made $20.

Q--What justification is there for fixing the rates at $20, or $25, when the cost of power is so much greater ?

A--The only justification is that it is a business undertaking

and in the first of its operation they allow three or four years for the building up of the business. On the Nipigon plant, in our agreement with the municipalities we are allowed to carry for a period, of approximately three years, the deficits on these municipalities in order that they shall have time to build up their business within the municipality and the Commission has taken upon itself arbitrarily to base what they feel is a reasonable rate on the conditions as they knew them; there is no definite or fixed rule that they can go by, it is just fixed arbitrarily at that rate. That is their judgment as to the rate to be charged Port Arthur the first year or two in connection with the operation of this plant.

THE COMMISSIONER J.... ROSS:

Q--Were they guided in some way by the fact that Port William paid $20 to the Kam Company ? A--No, $25 is what we really set as a figure, and after an investigation of what we thought probably the rates would be in the first two years they put it at $25; and then we said if Nipigon Fibre Company does take 10,000 horsepower we will be justified in reducing their charge to $20 per horsepower. I think that $20 may have come from their suggestions in the first place.

Q--Mr.Clarkson further says that the Commission will have no funds at the end of this year, or not sufficient funds to pay the interest due to the Provincial Government on the bonds that were issued, and that it will have to leave that for the Provincial Government to pay ?

A--That is a matter that will be dealt with by the Government and the Commission at the end of this year. It is a question that I do not think has been discussed fully by the Government and the Commission, as to what manner they will deal with it.

Q--I am not asking how the Government will deal with it; has Hydro any funds out of which to pay this ?

A--No, they have no funds that I know of, unless they can use their general funds for that purpose and probably account for it, I could not say; that is a question that will have to be interpreted by the Legal Department.

Q--The Auditor ought to have some idea of that, and he says there are no funds out of which it can be legally taken ? A--No funds as far as that system is concerned.

Q--Would you suggest that you take the deficit of Nipigon out of some other system ? A--No, I would not suggest that.

Q--These are the only funds you have ? A--From the Nipigon system these are the only funds we have.

Q--Have any of your other plants been in such a position as this before, in which you have not been able to pay interest out of revenue ? A--No, no plants that we have operated, we have been able to pay interest on the investment, but you will remember that these plants started at a very differ nt time.

Q--The circumstances may be quite different, but the situation has never arisen in your other plants as it has now arisen in the Nipigon plant ? A--No, not as a whole, some of the individual municipalities have not been able to carry their whole undertaking and they have been carried through from funds available on the system until such time as they have sufficient revenue to pay for all their service.

Q--Heretofore they have been able to carry their interest charges ? A--All systems from the first year of operation.

Q--Now in your opinion are the deficits to be ultimately disposed of; you have had great experience in these matters. Does any solution suggest itself to you ?

[illegible]

[illegible] Nothing is a [illegible] [illegible]

[illegible] Have any kinds out of [illegible] [illegible]

[illegible], they have no doubt that I know of, [illegible] they

[illegible] [illegible]

[illegible] for me, I could not say; that is a [illegible] question

[illegible] to be determined by the Lord's [illegible].

[illegible] Mormons might to have been like of them, [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

Q--Would you suggest that you take the [illegible] of

Highgate and of some other [illegible]? A--No, I would not

suggest that.

Q--Those are the only trends you have? A--Upon the

Highgate question these are the only trends we have.

Q--Have any of your other plants been in such a position

as this before, in which you have had such [illegible] to

[illegible] and of [illegible]? A--No, in [illegible] to [illegible]

[illegible], we have been able to [illegible] [illegible] [illegible]

investment, but you will remember that [illegible] [illegible]

[illegible] [illegible]

Q--The circumstances may be quite different, but the

situation has never arisen in your other [illegible] [illegible] [illegible]

[illegible] [illegible] Highgate [illegible]? A--No, not [illegible]

[illegible] of the individual [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible]

Q--[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible]? A--[illegible] [illegible] [illegible] [illegible] [illegible]

Q--[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible]; [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

A--I should say it could be carried in some way by a fund, and taken care of until such time as this undertaking can carry itself.

Q--You would not suggest that the Government should take over this deficit and pay it off and not look to the system to make it good ? A--No, I would not do that; I would say in time the system should make good its deficit in the earlier years and the statement we have prepared shows it will not be many years before it will be overtaken.

Q--The ones you have given us today are not the first estimates as to the probable power the system will sell in future years ? A--No, these are not the first estimates. We have made estimates from time to time on what the probable load would be in these districts.

Q--Didn't you make an estimate before the plant was constructed, to show it would be able to sell large quantities of power ? A--We made a survey at the time that this matter was under consideration and presented to the Government what our ideas were as to the power requirements of this district, and taking into consideration all the loads in the district and the possibilities of increased demand from these customers and new customers and changing steam plants to electric in their operation, and things of that kind.

Q--Were these estimates borne out by subsequent results ?

A--The only one that has failed was the one in which there has been some discussion with the Government and that is the Great Lakes Pulp and Paper Company in which we made obligation for contracts and instructions from the Government in connection with ten to twenty horsepower.

Q--You mentioned in your estimate in 1918 that you received application for 9,000 h.p. with an ultimate requirement of 18,000 in three or four years ? A--Yes.

Q--Which is that ? A--The Ande Pulp and Paper Company, to be located in Fort William.

Q--Did that materialize ? A--Not as that one but I believe it has materialized as the present Fort William Pulp and Paper Company, The properties they had in mind, that is the limits, are now controlled by that company.

Q--Then you spoke of pig iron furnaces for smelting ores, as prospects ? A--Yes, but we did not use those in our estimates at all. We simply said that was a prospect as far as the natural resources in that district were concerned.

Q--"There is evidence there is an abundant supply of power"? A--That is the condition today. We have there a development which would generate more than we are delivering.

Q--You say the two large interests above mentioned are only waiting solution of the power question before beginning actual construction ? A--That was the Great Lakes and the Ande Pulp and Paper Company. These are the two concerns we had reference to. It was Mr.Carrick's interest at the time referred to there.

Q--The Great Lakes was not mentioned ? A--No, they refer to the two interests, Mr.Carrick's interest was not incorporated at that time. Mr.Carrick had purchased these limits and made application for power.

Q--Have you ever considered whether the sale of power to the industries up there should be placed to a greater extent in the hands of the power Commissions or Commissioners in the two cities ? A--The Commissioners in the two cities have the whole handling as far as the sale of power is concerned.

Q--That is within their limits ? A--Within their limits.

Q--Outside their limits ? A--That depends on the character of the load and so forth. It is a matter to be considered on its merits at the time the matter comes up.

[illegible]

--Will that [illegible] A--[illegible]

[illegible] Power Company. The [illegible]

[illegible] the Atlantic, are [illegible] controlled by [illegible] company.

Q--[illegible] of dig in a [illegible]

[illegible] A--Yes, but [illegible]

[illegible]

--There is evidence there is [illegible]

[illegible]? A--That is the [illegible]

[illegible] which would [illegible]

[illegible]

[illegible] A--[illegible] the [illegible]

[illegible] Power Company. [illegible]

[illegible]

[illegible]

--Have you ever [illegible]

[illegible]

[illegible] A--The [illegible]

[illegible]

--[illegible]

--[illegible] A--[illegible]

[illegible]

Q--On general principles do you think it would be better to leave the matter of selling power in the hands of the two municipalities which are responsible for it ?

A--Not any more than you would in any of the other systems, if you allow other municipalities to deliver power.

Q--Around Port Arthur and Fort William there are no municipalities who can do that ? A--There is another thing that enters into that. There is a condition in which the Commission is empowered by the Legislature to enter into contracts with corporations for the supply of power for municipalities, and setting rates. A good many of these concerns wish to have a fixed rate for a term of years and the Commission can do these things. In the case of the municipalities they have a more or less fixed rate so there is no discrimination between various customers within the municipality as far as that is concerned, and most of their contracts are yearly contracts and will vary as the cost of power varies to the municipality.

Q--That is hardly what I want to know ? A--As to whether they are going out or not - that is a policy I would not like to speak on.

Q--It is a long way from Port Arthur to Fort William ? We found the feeling expressed by a good many was that the sale of that power should be left in the hands of the two municipalities to a much greater extent than it is now ? A--As far as the immediate vicinity of these two municipalities is concerned, in any application received they deal with it directly.

Q--Take the Great Lakes for instance. That is a concern on which negotiations have been going on for some time but never brought to a conclusion ? A--That matter originated with the Government. The Government entered into certain undertakings with the Carrick interest for

the supply of power.

Q--Not the question as to these contracts. You had a contract drawn up and meetings were held some two years ago, it resulted in no agreement ? A--I might say, sir, it was a contract and arrangement - the Government led up to that contract, and they used that largely in their negotiations for a supply of power.

Q--If that had been left in the hands of the local municipalities that are so directly concerned in it and who know conditions there so well, is it not possible an agreement might have been arrived at that time, instead of falling to the ground as it did ? I would like your opinion on that ?

A--I doubt whether they could have arrived at an arrangement. Municipalities would have to protect themselves against contingencies and the Commission would have to protect itself and as far as price and terms of that contract, with the exception of one or two clauses in connection with strikes and lock-outs - they were the only things they took exception to.

Q--The other was enforcibility ? A--That is the strikes and lock-outs and enforcibility. They had a right of arbitration there, I do not think there was anything in that clause.

Q--You seemed to come very near and yet it fell through ?

A--The matter was over as far as we were concerned, after we dealt with that up to the end of 1919; from January 1920 on, we had very little to do with it as a Commission. The matter was almost entirely removed from our hands, and it was dealt with through the Government and not through the Commission.

[illegible]

[illegible]

[illegible]

Q--You had a great deal to do with it because you declined to make an agreement when the Government and the Great Lakes were pretty nearly at one about it?

A--That is not my information. I say the Government may have asked our opinion as to what that clause was. I have no information that they were agreeable to make an agreement of that character.

Q--The papers that we have seen would indicate the Commission objected to it? A--We objected to that clause as far as any agreement of the Commission was concerned. We objected because all our contracts were incorporated that way and our position in connection with the matter is we have a large investment there and we would be considerably placed in the hands of outside parties who could deal with that as they liked.

Q--You objected to the form of it -- I am not saying whether you are right or wrong? A--Yes, we objected because we had a standard agreement that we entered into with all contracts of that character and one which we had insisted on as being necessary to protect the interests of the Commission and the municipalities and we did object to making any change in that clause.

TO COMMISSIONER HANEY :

Q--I suppose the company wanted this clause in to protect themselves as they were making a large investment?

A--It was not so much a large investment but it was in the case of strikes or inability on their part to take power, that they wanted to be relieved of paying for any fixed charges in connection with it. That was their position.

Q--I think it was the enforceability clause?

A--Enforceability is taken care of by the arbitration clause. There is no necessity for a fiat providing they

utilize the arbitration clause in that agreement.

Q--Could they levy on any of your property if they got judgment? A--I suppose as trustees -- we would have the property as trustees.

THE CHAIRMAN : Q--If there was judgement against you would you try to pay it? A--We would try.

COMMISSIONER HANEY : Q--Out of what fund would you pay it? A--Whatever fund we have available for that, and that was our difficulty. We set aside certain moneys to insure ourselves against the possibilities of such a contingency happening,, Otherwise we deliver to them at cost.

Q--They wanted a fixed price over a term of years?

A--I quite appreciate their position for financing purposes; a fixed price is a very desirable thing.

Q--And for competition? A--Yes, they wanted to know what position they were in and for a number of years, so that they could compete in the market.

Q--Were you agreeable to that. A--Yes, sir, I think it was for 30 years or for a term as long as 30 years by extensions.

THE CHAIRMAN : Q--So far as price was concerned you were in agreement? A--We were in a reement on that, It was simply on one or two minor clauses -- that was the only thing there was any dispute on. Other companies that are taking as large an amount of power as this company contemplated taking, have entered into contracts with a similar clause to that.

Q--Who was present when the rate of interest was discussed between you and others and the Government? A--Sir Adam, myself, Mr. Pope, Hon. Peter Smith, Col. Carmichael, Mr. Drury, and several others. Representatives I think of the power company were there at the time if I am not mistaken.

[illegible] [illegible] in [illegible].

Q--[illegible]ld they levy on any of your property if they go [illegible]? A--I suppose in [illegible] -- we would have the [illegible] business.

MR. O[illegible]: Q--If there was judgment against you would you try to pay it? A--We would try.

[illegible] Q--[illegible] would you pay it? A--Whatever fund we have available for that, and [illegible] difficulty. We set aside certain moneys to insure ourselves against the possibilities of such a contingency, [illegible]. Otherwise we deliver to them at cost.

Q--They wanted a fixed price over a term of years? A--I quite appreciate their position for insuring expenses; a fixed price is a very desirable thing.

Q--[illegible]? A--[illegible] that position they were in and for a number of years, so [illegible].

[illegible] and [illegible] or for a term as long as [illegible].

MR. [illegible]: Q--So far as price was concerned you [illegible]? A--We were in agreement on that. It was [illegible] on one or two minor clauses -- that was the only thing there was any dispute on. Other companies that are using a large amount of power as this company contemplated using, have entered into contracts with a similar clause to [illegible].

Q--Do I understand that the rate of interest was discussed between you and others and the Government? A--Sir, [illegible] and several others. Representatives I think of the power [illegible] if I am not mistaken.

COMMISSIONER J.A.ROSS : Q--How much power, Mr. Gaby, have you available there today; that is to say if the Great Lakes Pulp and Paper Company came in, or anyone came in for a large block of power? You are practically limited to something like 4,000 continuous horsepower? A--We could deliver today with the contracts that we have possibly 10,000 h.p.

Q--Continuous horsepower? A--Continuous horsepower.

COMMISSIONER HANEY : Q--Without any factor of safety? A--We can deliver 10,000 continuous horsepower.

Q--You could not provide for a unit? A--That is without adding an extra unit. Then if the company went on we could provide additional equipment just as quickly as they could build.

COMMISSIONER J.A.ROSS : Q--You could run concurrently? A--I would consider they would protect themselves with a contract for power before they started construction.

COMMISSIONER HANEY : Q--And you would protect yourselves? A--Yes, we would have to get a contract from them to take care of it.

THE CHAIRMAN : Q--In making up the estimate you give us you used a 5% rate all the way through? A--In preparing the interest rate on the capital investment we used 5% on our operating expenses.

COMMISSIONER HANEY : Q--What would happen at the end of two or three years if this condition continued with respect to the cost of power, would you continue to place your figure at $25 or $20? A--I do not know. Of course the municipalities had $50,000 surplus to take care of the $25 charge.

[illegible]

[illegible]

[illegible]

T.4

THE CHAIRMAN : Q--That is at Port Arthur? A--Yes, they had $50,000 set aside which went for a depreciation fund; that is with the rates in force today and which have been in force for a number of years.

COMMISSIONER HANEY : Q--It would look as though it were necessary for some person to get power? A--We have some very active power inquiries and as long as these companies go on and I believe they will -- I was informed today one of them was going on extending its pulp and paper mill, and if these things do go on and the assets are taken over and they use 10,000 h.p., as they proposed to do and having all the limits ready to operate, that will materially change the situation, and in three or four years we will be able to catch up on this deficit.

Q--You are quite optimistic? A--No, I am dealing with what is before us. If I had been optimistic instead of taking three or four years to build this plant I probably would have built it in two.

Q--If you had had the building of the plant and the Government furnished the money, you would have been able to have done it?

A--No, these natural resources are there and some of these concerns have rights there. They are not going to leave these natural resources when the market is favourable for them to go on and construct plants.

THE CHAIRMAN : Q--Have you given up negotiations with the Great Lakes?

A--No sir, any time they are willing we will be glad to discuss the matter with them and with the municipalities if they locate within the municipalities or any area -- we will be glad to take the matter up and advise them, because we are simply trustees and it is a matter of trust and duty on the part of the Commission to approve all

rates.

COMMISSIONER HANEY : Q--In order to bring the municipalities into these negotiations would it be practicable to establish a zone -- certain amendments to the Act will have to be made? A--The municipality has a right to enter into any other municipality and deliver power in that municipality on approval.

Q--It could do that? A--It could do that under the Act. It is only necessary for it to get the approval of the adjacent municipality to enter into the municipality and construct works, and get the approval of the Commission, if it is the proper thing to do.

COMMISSIONER J.A.ROSS : Q--That is theoretically according to the Act, but practically it is impossible?

A--Practically they do do it -- I mean in other districts; they do enter and construct lines into other municipalities to serve power customers and domestic customers.

COMMISSIONER HANEY : Q--And they treat them as their customers? A--Yes. That is what you mean, Mr. Ross?

COMMISSIONER J.A.ROSS : Q--Yes, I was trying to conceive of Fort William allowing Port Arthur to do that?

A--We would have to get the consent of Fort William.

Q--I cannot conceive of Fort William giving the consent.

A--No, they would not do it.

Q--In practice it is not possible up there? A--I was thinking of the unorganized districts just established outside. I think that is what Mr. Haney had in mind, and I had in mind -- these unorganized districts and townships adjacent to the municipality, adjacent to the Mission or Port Arthur in that Bear Point District.

COMMISSIONER HANEY : Q--Port Arthur or Fort William would have the right under the Act to enter into contracts with a power company established outside its own limits?

T.6.

A--Yes.

THE CHAIRMAN : Q--What would you think of having one zone which would include Port Arthur and Fort William and the adjacent territory, going as far as Nipigon? A--As to rates, I speak of Port Arthur and Fort William, the cost of power to the municipalities will be the same, that is the power delivered at the same point. The rates will probably be established in both municipalities, as far as ordinary industry is concerned, that is taking the ordinary distribution, the rates will be the same for both municipalities. Then as to whether they make a surplus and how they handle their own business and how they operate within their district as Utilities Commissions, will depend on these municipalities. For instance, Port Arthur may have a higher diversity than Fort William because they may have more power loads than Fort William. If it comes to a special thing, in which they have to spend enormous sums of money as a special thing to serve one customer, and it has no uniformity or co-operation or co-ordination with its other customers, then they would have to consider that individual proposition on its merits the same as Port Arthur would and Fort William. For instance power is uniform at the central station. If there is a customer located that has its own line from that main station and has no co-ordinating line with the general system of that municipality then you would take from that station to their concern to determine what it would cost Fort William to deliver power to that concern. The same thing would apply to Port Arthur if they started at the main station and wanted to locate out of the municipality. But the ordinary rate for power, domestic and commercial, within these municipalities will be the same, that is in my estimation, but as to how they

[illegible]

will operate, as to reductions and increases, will be a matter of the characteristics of these systems and the characteristics of the loads.

Q--What about having a zone? A--I am not in a position to discuss that. That is a matter of policy as far as the municipality and the Commission are concerned as to whether the Act provides that such a thing can be done.

Q--Would you think it reasonable to require that no power should be sold outside these two municipalities on that system at a lower price than is sold in the municipalities?

A--I think that would be unreasonable.

Q--Why? A--Because it might be that a customer is so situated that it would be natural that he should obtain power at a rate that he could take it as far as his business is concerned. For instance Nipigon Village might have industries within that village that could be served at less cost than another industry similarly located in the municipality at Port Arthur or Fort William.

Q--Fort William and Port Arthur practically establish the power. The liability rests upon them. Do you think it would be fair to give a lower rate to an industry that might be near the source where the power is generated and draw people away from the two cities that have to bear the burden?

A--I think that would all depend on the merits of the case in connection with the proposition. I would not like to put it out as an absolute proposition, that industry would have to assume its share of the undertaking and would assume the capital cost of that undertaking on account of its contract and relieve the municipalities of Fort William and Port Arthur of that share of the capital.

with [illegible], as to [illegible] and [illegible], will be a
[illegible] of the [illegible] of [illegible] and the
[illegible] of the [illegible].

Question about [illegible] "[illegible]" A--I do not [illegible] a [illegible]
to [illegible] that. That [illegible] [illegible] of [illegible] [illegible] on
the [illegible] and the [illegible] are [illegible] [illegible]
[illegible] the [illegible] provision that [illegible] [illegible] [illegible].

Q--Should you think it [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] should be [illegible] [illegible] [illegible] [illegible] [illegible] on
that [illegible] at a lower price than to [illegible] [illegible]
[illegible]?

A--[illegible]

Question? Assumption it [illegible] [illegible] [illegible] [illegible]
[illegible] that it [illegible] to be [illegible] that [illegible] [illegible]
[illegible] at a [illegible] that [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible]. For [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] within that village [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible].

Question [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible]? The [illegible] [illegible] [illegible] [illegible]. Do you
think it would be [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
that [illegible] be [illegible] the [illegible] [illegible] [illegible] [illegible] [illegible]
and [illegible] [illegible] away from the [illegible] [illegible] [illegible] [illegible]
[illegible] the [illegible]?

A--I think it would [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] connection with the [illegible]. I [illegible] [illegible] [illegible]
put it [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] to [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

COMMISSIONER J.A. ROSS: Q--It would own no share in the capital? A--It would own no share in the undertaking.

Q--They might draw a great many people away from Port Arthur and Fort William. Supposing a great number of industries were set up there and they were given lower rates, it might draw a great number of industries to Nipigon?

A--There are other things besides rates for power that manufacturers consider. There are only one or two basic interests that could take advantage of that such as pulp industries and ground wood. The basic principle of the whole thing is to deliver cars at cost. That is the undertaking of the Commission, no matter where the industry is located.

COMMISSIONER HANEY: Q--As far as Nipigon is concerned, that is all shot to pieces?

A--In building up a business, you cannot expect, when you are using probably ten or fiften per-cent of that development and you have got to put in the whole cost of the permanent works, you cannot expect to get a rate in the immediate beginning that is going to cover all the cost of that development.

COMMISSIONER J.A. ROSS: Q--Are not you in the same position as a railway where they charge a low tariff to start with until the railway is developed, and then they raise the rate? A--Charge a reasonable rate to start to build up the business.

Q--Possibly lower than reasonable, as measured by the balance sheet of the year? A--Yes,but no more unreasonable than what the undertaking might do in a few years.

Q--It is reasonable from the standpoint of laying the keel for the railway business? A--Yes.

THE CHAIRMAN: Q--Should not you have a very great

liberty to contract, so that if some industry is ready to come in, you might give it special inducements give it a very low rate? A--Then you are controverting the Act -- by bonusing.

Q--Not so much bonusing; I suppose there is something of that about it? A--If you give them less than cost, it would be bonusing.

Q--I am just thinking about it from your own interest. It might help you to get an industry there, by saying "If you start up in a certain time, we will give you some inducement to do it." Later on, they get just the same as everyone else? A--Where would that lead you to?

Q--I am asking your opinion; I am not supporting it?

A--Where would that lead us to in an undertaking of this kind? Once you open the field of bonusing or inducements to manufacturers to come in by placing the rate lower than what you expect your cost will be in a few years. You can, if you know his contract is for 10 or 15 or 20 years, and you are fairly conversant and can estimate fairly closely what the conditions are going to be, give him a rate which is not the cost in the first one or two years, but give him a price which will be the cost over the period of his contract. That is the thing we have tried to do in connection with these contracts and these municipalities. In other words, try to get cost out of our contract. You really set a rate lower than the cost for the first year in order to get that company and give him an average condition.

Q--I am just taking up the best policy in order to sell more power. I think we have a free hand to lead to that end? A--I think that the right to arrange for an average condition, and estimate as closely as you can the average condition, and get cost out of it over the period of the contract, is a good way to handle it, not trying to get cost

liberty to comment, so that [illegible] some in, you might give it special investment [illegible] very low rates? --Then, you are [illegible] become low.

Q--Not as much [illegible] I purpose there is [illegible] [illegible] A--If you give them less than cost, it [illegible] to bankruptcy.

Q--I am just thinking about it from your own [illegible]. It might help you to get an industry there, [illegible] "If you start up in a certain time, we will give you some inducement to do it." Later on, they get [illegible] as everyone of [illegible] A--Yours would that land you [illegible]

Q--I am asking your opinion; I am not [illegible]

A--Yours would that is d ma to in an understanding of this [illegible]. Once you open the field of [illegible] inducements to manufacturers to come in by giving [illegible] have larger than most, [illegible] will be in [illegible] few years. You see, if you have [illegible] in the 1[illegible] or 1[illegible] or 20 years, and you are [illegible] estimate fairly clearly what the [illegible] are going to [illegible] give him a rate which is not the cost in the first one or two years, but give him a price which will be the cost over the period of his contract. That is the [illegible] have tried to do in connection with these contracts [illegible] there [illegible]. In other [illegible] of our contracts. [illegible] cost for the first year in order to get that company [illegible] give him an overcome [illegible].

Q--I am just thinking on the last point in order to [illegible] more power. I think [illegible] and? A--I think that the right to arrange for an [illegible] [illegible], and nothing is allowing us, you and the [illegible] [illegible], and not [illegible] it over the [illegible] contract. In a word way to handle it, not [illegible]

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for the first year or two years' operation. In other words, the cost of delivering that power may be $30 today or $25, yet for the whole period it would probably be $17.50 or $18 or $20 per h.p.

COMMISSIONER HANEY: Q--Your idea then would be that you should have power under an amendment to the Act, to make an adjustment for a period of five or ten or twenty years, rather than annually at cost? A--I am not going so far as that, but I should judge there should be something to enable the Commission in carrying over and building developments of that kind, where you put in tremendous works -- two or three or four times the load that you can obtain in that plant -- that there should be some way in which you could carry these things for one or two or three years in order that you might get on a load on that system and built up the business, and not be a hardship on the consumers who are there at that time.

THE CHAIRMAN: Q--It is only by selling power you are going to relieve the present situation? A--Yes.

Q--That is the only solution? A--Yes, and in dealing with that situation we have tried to look ahead and see what conditions will be. In other words, $18 rate for 10,000 h.p. for the Nipigon Fibre and Paper Company's successors will probably not pay the power for the first year, but it may the second and third year.

COMMISSIONER HANEY: Q--But you fix the maximum?

A--Yes, for the period of years.

COMMISSIONER R.A. ROBB: Q--You have allowed for Inter-city Station, in your estimate? A--Yes, that is the third or fourth unit.

Q--You were under a handicap in serving private companies, because you cannot discriminate? A--In the municipalities, no.

Q--You have to give the same rates to everybody?

A--Yes.

Q--It is a question of average rate? A--In the municipalities, yes. In the case of the Commission entering into a direct contract for a period of years, they try to average that condition, but in the municipalities they have a rate set which is without discrimination.

TO COMMISSIONER HANEY:

Q..You said this morning you were not sure that you provided for a storage dam ? A--I looked it up and the storage dam was provided for on the fifth unit.

Q--In 1926 ? A--Yes.

Q--What amount did you provide for that ? A--It amounted to about $150,000; it was a concrete structure and stone and rock built.

TO THE CHAIRMAN:

Q--Where would it be located ? A--Above Virgin Falls.

Q--That is how far above Cameron Falls ?

A--16 to 17 miles; it is about the outlet of the Lake. On account of the conditions there, it does not require a very large expenditure - practically nothing.

L. A. ALSTEAD.

THE CHAIRMAN: Q--Where do you live, Mr. Alstead ?

A--Appleton, Wisconsin.

Q--You are engaged in what business ? A--Manufacture of paper.

Q--Are you interested in any company that has been negotiating for power with the Hydro-Electric Power Commission? A--Yes, the Great Lakes Paper Company.

Q--What negotiations have been carried on, and why have they not been consummated ? A--We were never able to get from the Hydro a contract which we could accept. The objection in the last contract was as to price as well as other objections that we had to the first contract offered to us, when the price was acceptable. The price was advanced from the price of the first contract offered which made the price out of the question.

Q--You did not agree on the price in the last ?

A--No, sir, we agreed on the price in the first contract, but not in the last.

Q--What other objections were there ? A--Two or three others; the principal objection was the contract is not enforceable according to the advice we secured from Canadian Counsel. That was our principal objection.

Q--If there was a breach of contract on the part of the Hydro you had no remedy? A--We had no remedy. I would not put it that way -- we had no absolute remedy.

Q--In a sense, you would have to get a fiat, and if a fiat were not granted you had no other means ?

A--The contract provided that we would not, that we waived all rights to the fiat, and we left our difference to arbitration, and then following the arbitration it was a question as to how we were to enforce any award of the arbitrators. The contract called for a waiving of the rights to a fiat.

Q--Was there anything else that stood in the way ?

A--That was the only thing that really stood in the way. We were requested to put up a bond to give security for some $500,000 or $600,000 in the first place, for a payment on lien covering a period of time; that was not an important point. I think we could agree upon a solution which would be mutually satisfactory, but the great objection to the contract was the element of the enforceability, and of course the price between the first and second contract was not agreeable, because it was higher than in the first one. In the first contract the price was $17.50, as I recall it now, and in the last contract it was $18.50, and delivered at the point in Fort William that we selected as the location it was $21.

Q--The price was higher there than in the first contract ?

A--Yes, increased by the sum of $1.00 at one point and $2. or $3 at another.

Q--Were there any other points of difference ?

A--Yes, there were some differences; there was anAct of God clause in the contract that to our mind is not mutual; it is different in this contract to the standard form; the situation is different as between the consumer and the power producer than it is in the usual contract as between the consumer and the power producer that is operated by private companies.

Q--Would that Act of God clause provide that the Hydro should be excused from furnishing you with power?

A--No, it provided in one instance -- from recollection the result of the clause was this: If the Hydro was unable to deliver power to us on account of the Act of God or the King's enemies there was no penalty attached to the Hydro, and we thought that was quite proper. If, on the other hand, we were unable to take power from the Hydro as a result of the Act of God or the King's enemies, we would, under the contract, be compelled to pay for the power nevertheless. We felt the situation should be mutual, and in the event of either the producing plant or the consuming plant being put out of business, the same situation should obtain, that is, no payment for power.

Q--In one case there was an act which prevent them furnishing power, and a similar act which prevented you from taking it ? A--The same rule should apply.

Q--What limits do you own there? A--The Black Sturgeon and Pic River.

Q--On the Sturgeon River ? A--Yes. The Black Sturgeon is near Nipigon and the Pic River is on the shores of Lake Superior.

Q--What is the size of these limits ? A--The Black Sturgeon 940 square miles including the water in it, and the Pic, approximately 1400 square miles, including land and water.

Q--What size mill would you have erected if you had made a contract, or would you have erected any ?

A--We filed an application with the Government at the time we filed the application for the location; we wanted to erect a mill, a ground wood plant, sulphide plant and paper plant, and with the paper plant it would have a capacity of 40,000 tons a year -- the ground wood and sulphide corresponding to that paper production.

Q--What is the smallest unit that you could operate economically? Is that about the size?

A--We would say so.

Q--How much power would be required to operate such a mill ? A--With the three mills ?

Q--Yes? A--Somewhere around 12,000 h.p., - in that neighborhood.

Q--So if you were able to secure a contract and get power, when would you put up the mill ? A--We are prepared to start building the mill, just as far as weather conditions will permit in that country, next spring, to start construction.

Q--When would you begin taking power ? A--Just as rapidly as the mill could be brought through. I am a layman on that subject. It would depend on the conditions of the machine shops and the equipment. I think that would be the controlling factor. If the construction work started the beginning or end of winter, I think power could be started in 12 months' time. That may be a little too optimistic. That would depend on conditions over which we have no control, conditions of machine shops and the United States mills as well as in Canada, as part of the equipment would come from Canada. As rapidly as we could get that machinery, we would get started. If we knew we could start there next spring, we would contract for the machinery and equipment during the present winter and gain that much time.

Q--You would be taking power in 12 months' time ?

A--After the construction started.

Q--The only thing that prevents you doing thatis the failure for you and the Hydro to come to an agreement ?

A--Lack of power, that is the situation.

Q--For how long a period would your limits supply your mill? A-The Government contract we hold, provides on one limit, 42 years -- 21 years with a renewal for 21 years thereafter -- and there is ample wood to run the plant for that length of time, for 42 years. That could be run longer than that under proper conditions.

Q--Perhaps perpetual ? A--I would say so, unless you have the limits burn up.

Q--You want power and Mr. Gaby wants to sell it, why cannot you get into agreement ? It would change the whole situation up there. Can you suggest any way by which we could get you two to come to terms ? A--Yes, I can, but it might sound peculiar coming from me.

MR. GABY: The Commission, I am sure, are willing to negotiate the matter. We have not been discussing the matter for two or three years.

COMMISSIONER HANEY: Do you think your temper has changed in that time ?

THE CHAIRMAN: Men have been brought together where differences were much greater that they are between you and the Hydro.

WITNESS: Mr. Gregory, I have not tried to pursue this question with Hydro for sometime; when the price of power was raised and the other objectionable features of the contract still remained, because I was under the impression that the Hydro could not do anything but what they had been attempting to do for us. In other words, if the Hydro has not got the ability or power or authority to make the kind of contract we would take power under, why then,

[illegible]

Q--The only thing that prevents you doing really the failure for you and the Upper to come to an agreement?

A--Lack of power, that is the attraction.

Q--For how long a period would your limits on pile power?

A--The Government contract is both, practice is one limit, 40 years -- 25 years with a renewal for 25 years after -- and there is ample need to run the plant for that length of time, and do years. That would be one longer than that under proper conditions.

Q--Perhaps repeated? A--I think so, unless you have the little lapse up.

Q--For a 40 power and 25, they ought to build it, why should you put into agreement? It would mean, the really attractive thing. Do you suggest any way in which to avoid put you too in case to terms? A--Yes, I am, for it is of usual familiar working from us.

Mr. Hardy: Are therefore, I am sure, are willing to negotiate the matter. We have not been alone in the matter for two or three years.

Mr. Hardy: Do you think your lawyer has strong in that time?

The Chairman: Not have been brought together where differences are even greater than they are between you and [illegible].

Mr. Hardy: Mr. Chairman, I have not taken to review the position with Upper for something; when the price of power was [illegible] are other o [illegible] of the [illegible] the I will [illegible], however I was under the impression that the Upper could not do anything but what they have been [illegible] to do for us. In case or in, [illegible] we have not the ability or power or [illegible] the [illegible] contract we would take power under, why then,

there would be no use going on further with negotiations. If they are stopped frommeeting us on account of some obligation in Ontario law, and we are stopped from meeting them for good business reasons, we never could get together. We stand ready, if Hydro is in a position to make a contract on the lines of the standard form of contract with modifications in regard to enforceability and one or two things which are more or less minor -- the question of the guarantee and things of that sort, which they are entitled to for reasonable assurance that the tenant is going to carry out the contract. If they are in a position to carry out a contract and put the price of power at a price which we can afford to pay and in terms that we can afford to take power, we will make a contract today.

Q--If you made a contract with the municipalities would not that remove some difficulties ? A--If the municpalities are in a position to make a contract, we could take power. When we say contract, we mean a contract which is mutual and enforceable.

Q--That is a contract as between two individuals ?

A--Absolutely. We are ready to take power off the Kam if we can get it, and at a price we will take it and on a contract that is enforceable.

COMMISSIONER J. A. ROSS: Q--Was it not also a question of price to the Hydro? A--The last contract, yes. The first contract, at the time the Kam power was offered to us, my recollection is the price was $17.50, that is in 1919. We would accept that price.

COMMISSIONER HANEY: Q--Where would that be delivered, at your plant ? A--No, sir, delivered at a point which was then not fixed, because they did not have the transmission line actually erected, but it was to be at some point along the transmission line east of the town limit of

Port Arthur, and the understanding was they would carry the power from that transmission line 1,000 feet on a branch line, but if we stt our location more than 1,000 feet from that pole line, then we would have to pay the cost in addition to the 1,000 feet.

Q--Their price was ? A--$17.50.

Q--At low voltage ? A--No, 110,000 volts.

Q--What was your price ? A--At that time ?

Q--Yes ? A--We said we would accept that.

Q--You were agreed on the price ? A--Yes.

Q--And there were only two items in the contract objectionable, enforceability and mutuality ? A--That is correct.

THE CHAIRMAN: Q--What would the plan cost approximately?

A--The plant, under that application to the Government, would cost something over $3,500,000.

Q--You are prepared to put up a plant costing $3,500,000, to take 12,000 h.p. and establish an industry that has a prospect of carrying on for 40 or 50 years and perhaps much more, if you can come to terms with the Hydro ?

A--That was the situation then and is now.

Q--(To Mr. Gaby) . You have made contracts with other companies, what is the trouble ?

MR. GABY: Our counsel advised us that that contract is perfectly enforceable; that is the counsel of the Commission.

THE CHAIRMAN: And Mr. Alstead's counsel advised him it is not.

MR. GABY: That is the situation. It is a contract under which we have had certain arbitration proceedings, and I should say it is enforceable in court. The price, $17.50, was the estimate given to Mr. Alstead 1,000 feet from the line east of the city of Port Arthur. That was based on a 4½% interest. The rate of interest has been changed sincethen to 5%, and a new rate was given to Mr. Alstead, at

subsequent negotiations.

THE CHAIRMAN: ½% would not make very much difference.

COMMISSIONER HANEY: Now, if the rate is changed to 6.2 ?

MR. GABY: That would make a difference on the upward grade of $1.00 or $2.00 a h.p. because the interest rate is a very large percentage of the total charges for cost of power. It is at least 40% at 5%. A change in the interest rates of 1% makes quite a difference in the cost of power. As to delivering, as far as we are concerned, I think the Commission would be glad to deliver power at the 1,000 feet, and let them build their own lines if they want another location.

Q--At the inter-city station ? A--That would be different. It would cost us nearly $500,000 to go that distance.

WITNESS: The figures you furnished us were $18.50.

MR. GABY: $17.50 was the first.

WITNESS: $17.50 was outside Port Arthur; $18.50 was the last price submitted for Port Arthur rate.

MR. GABY: Inter-city Station.

WITNESS: That is my recollection, and across at Fort William the rate was $20 to $21. The point, gentlemen, that has been controlling us is this: We cannot get any more for our paper by paying a higher price for power or a higher price for coal or anything of that sort; it makes a difference in our cost, but it does not make any difference in our sale price of the commodity, so that if the rate of interest or the cost of the development from which power is carried, brings the price of that power up to a point where it is not satisfactory for paper mill work, why we cannot use it in an industry of this kind. If the price can be brought down where it can be used in that industry or sold in some other industry, they can afford to put up their rate.

THE CHAIRMAN: Q--Is the cost of power a greater element in a pulp industry than in other manufacturing concerns ?

A--I do not know any other line of business where the question of power is so vital.

COMMISSIONER R. A. ROSS: Q--What is the percentage of cost of ground wood pulp as taken up in the cost of power ?

A--That varies very much. For instance you can take the finished cost of your article, if you had a very low wood cost, we could afford to pay more for the power, and vice versa, so that each location has some difficulties.

Q--20% or 40% or 60% ? A--I could tell you what difference that was in Wisconsin; it is a mighty low rate. If you pay $5.00 a ton for your ground wood or $4. or $3. it is going to make a big difference in your rates, but you cannot afford to pay more in order to meet competition; you have got to get your ground wood somewhere between $4 and $5 a ton for your power.

Q--That is the power element costs you $4 or $5 a ton ?

A--Yes.

COMMISSIONER R. A. ROSS: Q--$5.00 a ton is how much h.p.?

A--4000 tons of pulp to 1,000 h.p., that is under good milling practice. The older and more obsolete mills are not getting that. At Fort William if you have to pay a high price for the cost of wood, that is going to count; in other words, you cannot pay the highest price anybody else pays for wood and the highest price anybody else pays for power and something else and still get a total which would meet competition and make for efficiency.

COMMISSIONER J. A. ROSS: Q--Where, in Ontario ?

A--Throughout the trade generally, Ontario manufactures a large amount of newsprint paper, and Quebec does, and there are large plants in the United States.

Q--Would not your natural advantages up there for shipping largely offset any higher cost you have to pay for power, as against any other parts of Ontario ?

A--The Soo is equally favourable in location to Fort William; and they have a lower freight rate into the territory of the United States between Buffalo and New York than the head of the Lakes. The Soo has a lower freight rate into Chicago. Take in the State of Wisconsin, what we pay for power within 200 miles of Chicago, where a 16¢ freight rate would put you in touch with many consuming industries, our power charge for a ton of ground wood -- three plants running -- two plants work out at $1.75 a ton, and the other plant $2.25 a ton. That is taken up by our importation of wood from Minnesota.

COMMISSIONER HANEY: Q--As against $5.00 at the Soo?

A--I do not know at the Soo.

Q--Approximately? A--Yes. $1.75 in the two plants, and in the other plant $2.25 a ton for the power element, but that is offset by our higher rate for the wood; we bring it in a considerable distance.

Q--The two essentials are wood and power in ground pulp ?

A--These are the two big items. At Fort William and Port Arthur we have taken into account our Government contract requires us to pay dues on wood which are of the highest in Ontario on any paper mill limit. I do not mean on the wood itself, or what is known as the timber berth, but for paper mill limits I believe it is highest in Ontario.

COMMISSIONER HARRIS: Q--What is the value of ground wood pulp at the present time per ton ? A--Do you mean on the market to sell it ?

Q--Yes ? A--I can tell you what we bought it for right in Canada -- brought it down and laid it in Wisconsin -- 33½¢ rate out of Canada -- $36 to $38.

Q--With a rate of 3¾ a hundred? A--Yes, and pulp comes in in that shipment with something over 45% of water, so we have to ship it wet and take that weight. We buy that in loads at $36 to $38, with 33⅓¢ rate.

Q--Do you pay for the moisture? A--No; that runs your freight rate up, and that is the only element it runs up.

Q--It does not run up the cost of the pulp? A--No.

Q--You buy on the dry basis? A--Yes.

COMMISSIONER J.A.ROSS: Q--Are you willing to pay Hydro now as much or more than you were two years ago?

A--I will answer that question, yes - as much or more. I would say as much -

Q--As much as you offered them two years ago, $17.50?

A--We were quite willing to pay it at that time, and I think it is a high rate.

Q--If you are anxious to get that mill started, and you have to pay for your power, it might be good business to gamble with the paper market in a year from now, when the mill is completed, as being sufficiently high up?

A--I would not figure that way. My feeling is based on this; At the time that price of $17.50 was given to us, every market was increasing in value very rapidly; prices were going up. We had options on machinery and equipment which expired the end of that year, 1919, and I was willing to pay $17.50 at that time although I thought it was higher than we should be called upon to pay, in order to take advantage of the options that we had on equipment and get started. Now I still feel $17.50 is high, but we have lost a lot of time and money in this whole thing.

THE CHAIRMAN: Q--You are losing money every day?

A--Certainly; I would sooner take ordinary interest rates,--6.2 or 5%, should you apply that on the amount we have invested,

and it is a continual loss, and under a situation of that sort, I would pay $17.50, but I would not go into this and pay $17.50 if I was not already in the proposition. I would not do it because I do not think it is a satisfactory rate to make pulp and paper. I do not think it is an attractive rate.

COMMISSIONER R.A.ROSS: Q--You must be getting very cheap power in Wisconsin? A--We are.

THE CHAIRMAN: Q--Mr. Gaby has said what he will take for power, and we have got you to say what you will pay?

A--When I say I will pay $17.50 I will do that under pressure to get this thing cleaned up. I expect, under that, if this development turns around and gives power at a lower price, we should get the benefit of that. In other words, I think we are entitled to as good treatment up there as anybody else.

COMMISSIONER HARRIS: Q--You would be satisfied to be put on the same basis as anybody else using power for that purpose? If a rate was fixed for that purpose, you would be satisfied to accept it? A--Yes, Mr. Harris; if that was the situation, I do not see any reason why we should limit it to pulp and paper, and somebody else was taking power; we might be the only people on that line. Somebody else might be taking some power from the same source, using it in some other industry,and paying less money for it.

Q--I cannot conceive that anybody could get power for less money than they could sell power for pulp and paper purposes?

A--I do not either, but if it should develop, than I would say we should be entitled to as good treatment as anyone else.

Q--I would imagine you would be in a safe position to accept a proposition of that kind, because I do not think anybody else can get power as cheaply as the man who uses it

for the grinding of pulpwood. I think it is a fact, Mr. Gaby, that we have got to look to some consumer using a large amount of power for the pulp industry; it affords the biggest opportunity for the sale of power?

MR. GABY: Yes, and immediately.

Q-- In considering this whole situation, it strikes me that a special price has got to be made for power users who are going to use that power for grinding of pulp. That is the quickest way to work out this situation. As a business proposition it looks to me that a flat rate has got to be made for the two - one for the pulp industries and the other for the municipal users - and work it out on the basis of taking seven or eight or ten years before you overcome their deficit, which you cannot do in less than that time. That is my own opinion.

THE CHAIRMAN: I thought you said there were others in the manufacture of pulp who were going to make paper and something else?

COMMISSIONER HARRIS: Of course they can pay more for power purchased for the manufacture of paper, but you have an article there that carries a very high price; take the paper price?

WITNESS: It is not as high as it was.

Q--You have a product there that will pay $200 a ton?

COMMISSIONER HANEY: Q--The ultimate end of pulp is paper; it is all one industry? A--Yes. You are quite correct that the use of power on the paper end is very small as compared with the grinding of pulp.

COMMISSIONER HARRIS: It may enter into the cost of paper to the extent of 1% or 2%, while on the cost of pulp, it may enter into it to the extent of 20 or 25 or 30 per cent.

THE CHAIRMAN: Q--Can you afford to pay more for power used to manufacture paper than for power for the manufacture of pulp?

A--We do not use much power around paper mills. Assuming you drive your machines by steam, you use a little power in the steam engines and pumps; but it does not amount to enough -

Q--You have to have a steam plant in connection with the manufacture of paper? A--Yes.

THE CHAIRMAN: Is there any question you would like to ask Mr. Alsted?

MR. GABY: Mr. Alsted I believe has placed the matter as far as his side of it is concerned, as we understood it. He objected to what he termed the nonenforcement of this contract. Now our counsel says it is enforceable; as to the strike clause that is a question of loss to this Commission for contingencies for the delivery of power to the municipality.

THE CHAIRMAN: There might never be any loss?

MR. GABY: It is not controlled by us; a strike may occur in the works.

COMMISSIONER HANEY: That can be insured against.

MR. GABY: A strike may occur in the works, whereas we have capital idle on which we are getting no revenue, held in reserve for the purposes of this company, and we would have to insure against that. We figured it would cost $1.00 per h.p. to properly insure.

THE WITNESS : You know this question of enforceability on your contract, it may be so as far as what you gentlemen and I might think, but the question is what somebody else might think. For instance, you cannot go to your bankers and lay down a contract which on the face of it is not enforceable and requires some explanation to show how it would work out. They would say, "If that is what is intended, then why is not it made so on the face of it?" That is how the world outside looks at it.

COMMISSIONER HANEY: Without any doubt you want an enforceable contract, and Mr. Gaby says it is enforceable. Why not make it enforceable beyond any peradventure?

MR. GABY: Our only answer is that all our contracts are that way.

COMMISSIONER HANEY: This is really an exceptional case. Nipigon is an exceptional situation; you have a situation there that is different from any you have got in any other portion of your system.

MR. GABY: I am referring to the contracts recently approved of in connection with pulp industries to take 10,000 h.p., and they are satisfied to take it with that same clause.

COMMISSIONER HANEY: That is not signed?

MR. GABY: It has been approved by the financial interests who are signing it.

WITNESS: Is that for pulp and paper?

MR. GABY: Pulp and paper.

WITNESS: I always discriminate between the use of power for pulp and the use of pulp to be manufactured into paper. You recall that I offered to take power from the Hydro Electric and use it merely as a ground wood plant. The point is this: if any interruption occurs in that service, you can do something else with your raw material; you can go into the sale of pulp.

MR. GABY: As far as interruptions on account of the Commission are concerned, the penalty is non-payment during the period of the interruption, as far as things over which the Commission have no control.

WITNESS: Where you are going to use power for the manufacture of pulp, and then you are going to put that pulp into paper, you make a contract for your paper, a large percentage of your output, at least 12 months before;

MR. GABY: I understood, Mr. Alsted, as far as you were concerned, it was the other side of the argument to which you were taking exception, and that was the question of a strike or Act of God in your plant. In purchasing equipment and things, as far as the Commissioners are concerned, in the strike clause, we simply state if they have strikes, we lose out on it, they need not deliver.

WITNESS: In regard to the Great Lakes, you had others considering taking 10,000 h.p., and I asked if that was for the manufacture of pulp or pulp and paper?

MR. GABY: I understand pulp and paper.

WITNESS: If it is only pulp, I say it is a different situation to the manufacture of pulp and paper.

MR. GABY: I do not know anything further that I have to say.

THE CHAIRMAN: There are some others here who might like to ask you some questions.

MR. GABY: I have an appointment out of the city.

THE CHAIRMAN: What about Mr. Pope?

MR. GABY: He is here.

COMMISSIONER HANEY: Q--Mr. Alsted, supposing you entered into a contract within the next 30 days, would it be possible for you to begin operation so that you would have your plant completed at the end of 1923? A--On my part I would say we could start turning out paper at the end of 1923; I would not want to guarantee a thing of that kind.

Q--If a price is fixed that is satisfactory and a time limit established; it is most important to the Commission to determine when they are going to sell power, and it might be a consideration in the price for power?

A--I can give you a better answer to that by taking two minutes time to talk with our adviser on things of that kind.

Mr. GARY: I understood, Mr. Chairman, so far as you were concerned, it was the other side of the argument to which you were taking exception, and that was the question of a strike or lack of gas in your plant. In generating equipment and turbines, as far as the boilermakers are concerned, in the strike clause, we simply state if they have strikes, we have nothing to do, they need not deliver.

CHAIRMAN: In regard to the Great Lakes, you had others complaining taking 10,000 h.p., and I asked if this was for manufactures of pulp or pulp and paper?

Mr. GARY: I understand pulp and paper.

CHAIRMAN: If it is only pulp, I say it is a different relation to the manufacture of pulp and paper.

Mr. GARY: I do not know anything further that I have to say.

THE CHAIRMAN: There are some others here who might like to ask you some questions.

Mr. GARY: I have an appointment out of the city.

THE CHAIRMAN: What about Mr. Roper?

Mr. GARY: He is here.

THE CHAIRMAN: Well, Mr. Roper, [illegible]

contract into a contract within the next 30 days, would it be possible for you to begin operation so that you would have your plant completed at the end of 1922? A--On my part, I would be willing to begin turning our power at the end of 1920; I would not want to guarantee a thing of that kind.

Q--If a price is fixed that is satisfactory and a time limit satisfactory, it is most important to the Commission to ascertain when they are going to sell power, and it might be a consideration in the price for power?

A--I can give you a better answer to that by taking the question then to talk with our engineer on the subject.

Q--They have power to sell and they want to sell it, and you want to buy it; I want to establish some definite time when you would have a plant which will take 12,000 h.p. or 10,000 h.p. so that you can definitely enter into a contract to take it at a fixed time?

A--I would say we could start our construction next spring; all our details could be settled up during the winter - the contracts on the equipment would be in. I would say we could put up the ground wood mill and paper mill by the end of the year, and get that equipment set; the only question in my mind would be whether or not you could get your equipment made between then and set it up in 1923.

THE CHAIRMAN: Q--How many would you employ in your works? A--In connection with a business of that kind, over 600 people.

Q--That is without the work in the woods? A--Yes.

Q--And there you would employ a great many more?

A--You would have a good many thousand cords of wood to get out in a year.

Q--About 35,000 or 40,000 cords of wood? A--Yes, Sir. The only question I would ask is how soon could I know I can get a contract?

THE CHAIRMAN: Will you leave it to us to fix the terms?

WITNESS: I would like to know about it.

COMMISSIONER HARRIS: Would you accept any price that was fixed for that particular work?

WITNESS: I said we would start off at a certain fixed price, we would expect to get as good treatment as anybody else, and I understood you were trying to limit me to that good treatment that somebody else in the same business got.

COMMISSIONER HARRIS: I would not want to do that.

MR. MORRIS: Q--Did you understand that price of power to

apply to the Mission site? A--Oh, yes.

Q--When you spoke of being satisfied with that rate?

A--In 1919; I suppose that price $17.50 applied to in or near the city of Port Arthur or Fort William.

Q--And would apply to the Mission site? A--Yes.

Q--When you say you are satisfied with that price, it refers to over there, if you wish to go there, or anywhere else? A--Yes.

THE CHAIRMAN: Would you like to say something to us, Mr. Morris?

MR. F.R.MORRIS: Mr. Chairman, On behalf of Fort William, I would say we do not wish to handle the matter of contracts for the pulp and paper companies or any of the large contracts. We would prefer that they be made direct by the Hydro Commission as they are made now. At the present time the two cities are liable for six and a half million dollars, thirteen millions beforepe get through. It is a pretty big load now on 35,000 people. If we order 12,000 h.p. for the pulp and paper industry, we have to pay for that for the whole 40 years; we would become guarantors of that pulp and paper industry that it stay in business and remain solvent during all that period. If it should fail, we still would have to take care of the 12,000 h.p., and you are putting on us not only the six and a half million and the thirteen millions, but the price of 12,000 h.p. for 40 years, whatever it may be.

THE CHAIRMAN: Q--Under what law are you placed in that position? A--We never can goback on the quantity of power we order.

Q--Cannot you order a certain amount, and then ask them to supply you no power in cases of that kind?

A--Yes, in cases, but we cannot go back. If the pulp and paper mill should fail, where are we? It is a direct

apply to the division plant? A--Oh, yes.

Q--Then you speak of being satisfied with that, and

A--in 1909; I suppose that price (?1.5?) applies to the

or less the duty of Fort Arthur or West Mill...

Q--Did works apply to the division plant? A--Yes.

Q--Since you say you are quite tied with that price, it

refers to over there, if you wish to go there, or anywhere

else? A--Yes.

THE CHAIRMAN: Would you like to say something to us,

Mr. Morkin?

Mr. F.P.MORKIN: Mr. Chairman, on behalf of Port Arthur,

I would say we do not wish to handle the matter of pulpwood

for the pulp and paper companies or any of the large contracts.

We could prefer that they be made direct by the Ontario Government

as they are made now. At the present time the two mills

handle for sale and a half million dollars, thereon difference

between you through. It is a pretty big load for

18,000 people. If we order 12,000 h.p. for the pulp and

paper industry, we have to pay for that for one month or

years, we would become just about of that, 1,000 and paper

industry of 3 in stay on business and remain solvent during

not that period. If it opened up, we might need some or

like part of the 12,000 h.p., and you are looking on us for

only one a and a half million and the thirteen millions,

but the price of 12,000 h.p. for 40 years, whatever it may be,

THE CHAIRMAN: Consider this for one, proposed in that

position? A--We have no opinion on the availability of

power in Ontario.

Q--Would you prefer a certain amount, and then ask them to

develop, if you do power in order or that class?

A--Yes, in order, but we cannot go back. If the pulp and

paper mill should fail, where we are? It is a little

liability. We have to levy each year. You have your machinery now; I do not see any change in it. If we take our own municipal needs and small industrial loads through us, and the Hydro make the big contracts direct with the pulp and paper company, surely they do not want to put any more liability on us than we have now.

COMMISSIONER R.A.ROSS: Q--You can hardly double your liability? A--It is an indirect liability now. If it appeared direct against us we could not sell a bond at all. That would make a direct annual charge. We would be ordering 12,000 h.p. that we would have to pay for each year. We have to pay for the amount of power we take.

Q--Supposing a contract was made with a party to take 12,000 h.p., and they refused to take it, then you would have to pay that anyway? A--We would have to pay that each year as being so much power we contracted for. It would be a direct liability.

Q--It might develop in your shouldering a liability of $13,000,000, if you make all the contracts?

A--It will shoulder more than that on us, if we have to pay for 12,000 h.p. if the company failed.

COMMISSIONER HARRIS:

Q--You have to pay for it anyway? A--That is an indirect liability.

THE CHAIRMAN: Q--How is a direct liability incurred?

A--We order so much power and we have to pay for that each year at a certain price.

Q--That is what they call the cost price? A--Exactly.

Q--It might be $50? A--Yes.

Q--Does your contract provide if certain things arise by which it won't be necessary for you to have so much power in your municipality, you shall still be held to take the

[illegible]

[illegible]

[illegible]

original horsepower? A--Whatever amount of power, we order, we never can go back, we have to pay for. It is always ahead and never back. We started with municipal needs of about 3,000 h.p.

COMMISSIONER R.A.ROSS: Q--It is not a question of how much horsepower you get out of it, it is a question of how much your total cost is per year. Having fixed yourself that way, what happens when the other fellow drops off? Whatever you get from him is more or less velvet? A--In one way, you may be correct. I see a big difference.

THE CHAIRMAN: Q--If Fort William had to pay for all the power it orders, it would be in a worse position than Port Arthur; it would make its share larger? A--Our ultimate share is according to the amount of horsepower we take, so I see no occasion in the present machinery of that power being changed, if Hydro makes a contract direct with the consumer for the load.

COMMISSIONER HANEY: Q--According to Mr. Gaby it can be made either way now, with the municipality or without the municipality? A--I do not see his point of view and it is not desirable. That has been tried on a few street railways. We want the same rate in the same zone, and we want the zone to go right to Nipigon. Fort William and Port Arthur, the two cities with about 35,000 people, are liable for six and a half millions which may go to thirteen. If you want us to say that, you should not do something that prevents us from paying.

COMMISSIONER HANEY: Q--Your idea is to keep your proportion of the liability as low as possible?

A--I think Port Arthur should do the same. Once it becomes a direct liability it will hurt their bonds.

Q--Port Arthur at the present time is giving power to the

pulp and paper companies? A--Yes, supposing they fail? The Kaministiqua failed.

COMMISSIONER HARRIS: Q--Supposing something should happen and Port William did not go into that - got out of her agreement with the Hydro, and Port Arthur had to go on and carry the whole thing, would not they have to pay the whole thing?

A--Yes, If you leave us as we are, but nobody expects you will because what are you sitting for now but to fix a power rate that is equitable and attractive. If you do that, and then we take 12,000 h.p., there is a difference.

COMMISSIONER HANEY: That is the first time we have been told that.

COMMISSIONER HARRIS: Q--We are not sitting here for the purpose of going to the Government and saying: "We find a great mistake has been made here, and we think the Government ought to take out of the public funds, the moneys necessary to straighten this thing out and let the municipalities get out from under the contract? A--Let me show you why the Province of Ontario should take part of the burden: The development that is made up there is about three times as great per capita as in any other area I know of, including Niagara. We have 55,000 h.p. It makes over a h.p. per capita; at Niagara there is one-third of that. That development is made for what? To take care of the pulp and paper industry. What is the pulp and paper industry going in there for but to exploit our natural resources including the pulpwood and other timber there? If you are going into the pulpwood business, you take three things into consideration; one, the price of power, the second dues and the other the freight rates. In going in there you put the three together and get a certain figure; that is the figure that suits you. The Province of Ontario is walking away with the dues, and they have the right to make these dues as much as they like. I think they can be changed from

time to time.

MR. ALSTEAD: They have been.

MR. MORRIS: And they are high. So in the hands of the Province of Ontario lies the power to make the pulp and paper industry up there attractive. They can make it attractive and take all the money from that part of the country in the way of dues and bring it down here and leave us a dificit on the power. The Government can also make it attractive there for pulp and paper by making the leases longer -- they are only 21 years, renewable at their option. There are all sorts of things they can do to make it attractive or unattractive. They can make the power attractive and put the dues up. But where are the dues going to? They are coming down here to you. The power project is laid on to us, and you walk away with all the money taken out of the natural resources. That is why I urged at Fort William and I still think so and always will think that the Province of Ontario should take care of the excess development made there to take care of the pulp and paper industry.

COMMISSIONER HARRIS: Q--Why do you say we laid the power project on you? A--It is there anyway.

Q--You people wanted it; you voted for it; then you say we laid it on you? A--Let me check you on that. You know that is true to this extent; we applied for Hydro development, and we were told they were going to expropriate Kam Power, which was the reasonable thing to do, and which I would be satisfied if it had been done. We were told they would develop Dog Lake which would be as close to Port Arthur as Fort William and which would be a small development, only to take care of our natural industrial expansion and not the pulp and paper. Then after the Hydro representatives telling us they would do one or the other, theyssuddenly go off, with the war on, with the

cost of money high, the cost of material high and labour high, and develop Nipigon without our request. I assure you if anybody in Fort William thought they were going to develop Nipigon, they would not have voted for it. Nor was the pulp and paper industry considered at that time, so I say to that extent, that over-development necessary for pulp and paper still stands without our request or without our undertaking.

COMMISSIONER HANEY: Q--Or without your protest at the time? A--What is the use of protesting.

COMMISSIONER HARRIS: We heard your story while we were in Fort William, and Port Arthur, and we are trying to help the situation and trying to help you, and the Hydro.

WITNESS: I quite appreciate that.

-----Premier Drury present.

WITNESS: The situation presents itself to me as very simple as to how you can help us, and that is give us an attractive rate for power and give us one zone, and leave the management as it is now with the Hydro with big blocks of power. All you have to do to accomplish that is to have legislation implementing whatever you suggest. Mr. Alstead and Mr. Gaby have just had a talk about the contract, and Mr. Gaby has presented the difficulties why it cannot be made. Why cannot they make a contract now; it does not matter whether it is legal or illegal, if it looks right or reasonable it can be validated afterwards. We make lots of contracts which are not legal, and then make them valid.

COMMISSIONER HARRIS: Q--You do not seem to have got any closer together with Port Arthur than you were last January?

A--They surely want attractive rates in one zone; that is very simple.

Q--You do not think you can negotiate these contracts better yourselves, locally? A--No, I do not. I think we

might give the power away if we got bonusing one against the other. It is better the way it is. You can easily make that contract Mr. Alstead wants because, although you say it is contrary to the provisions of the Hydro Act, it can be validated next spring.

Q-I think we can? A--Go ahead and do it.

Q--We are not making contracts? A--You can recommend it, and your recommendation can be implemented with the proper legislation.

THE CHAIRMAN: Q--You are familiar with this contract and the terms of this contract? A--Yes.

Q--Do you see any insurmountable difficulties?

A--No, I do not. I have been present at a good many conversations over it. If Mr. Gaby's reason is only that it exceeds his power under the Act, make the contract without any regard to that, and then let us validate it and get away. Get something started.

Q--It seems to all of us there are no difficulties but what can be readily overcome if both parties want to make a reasonable contract? A--None whatever.

COMMISSIONER R.A. ROSS: Q--You think with the Government on one side of the table and Hydro on the other, they can soon frame up a contract which would be satisfactory to all concerned? A--Yes, or they could make it without the Government, but the Government would have to be considered as to whether it was legal or not. I hope I have made myself clear that we think up there the Provincial Government should stand behind some of the capital expenditure.

COMMISSIONER HANEY: Q--I think we are quite clear with respect to the ratio of liability that your municipalities want to entertain in connection with the use of Hydro; you want to make it as small as possible? A--Yes, until it

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Q--Do you not regard contracts? A--Yes sir, I recommend it; and your recommendation can be implemented with the proper legislation.

THE CHAIRMAN: Q--You are familiar with this contract and the terms of this contract? A--Yes.

Q--Do you see any insurmountable difficulties?

A--No, I do not. I have been [illegible] a good many [illegible] turnbuckles over it. If Mr. Cadyk's recommendation only that it encroaches also power under the Act, make the contract [illegible] any regard to them, and then let us validate it and get [illegible] the [illegible].

Q--It seems to all of us there are no difficulties [illegible] a [illegible] [illegible].

CONNECTICUT RAILROAD: Q--Had right with the [illegible] on one side of the [illegible] and there on the other, they can [illegible] up a contract which would be [illegible] the Government. A--[illegible] the Government, but the [illegible] would have to [illegible] as to whether it was legal or not. I hope I have made quite clear that we think up there the Provincial Government [illegible] [illegible].

[illegible] respect to the matter of liability that your [illegible] want to contribute in connection with the [illegible], [illegible] to make it as small as possible. A--Yes, well [illegible]

looks better than at present.

Q--Is that your view? A--Yes, that is my view, and I think that should be so with both of us because that excess development for pulp and paper should be taken care of by the Province.

COMMISSIONER J.A. ROSS: Q--If reasonable rates can be granted under contracts and arrangements with your municipality such as will pay off in a very short time the liabilities now accruing, is there any necessity for wiping out the excess capital? A--Oh, no, if the Province will carry that deficit until it can be wiped out, that is equivalent to their wiping it out.

Q--They should hold you people to your bargain?

A--Yes, but at the same time if we left it, and did not have to pay it if we did not earn it, we are not hurt very much; if the development will pay it, why should not it? We do not want to walk off with the thing.

THE CHAIRMAN: Q--You spoke of the work being undertaken on account of the Government. I do not know if you are familiar with the letter from Mr. Pope, the Secretary of the Commission, written to Mr. Carrick, in which he says they are making no provision for them? A--I will have to correct myself on that; I know they did go ahead without any regard to having a contract for this particular limit, but there is no excuse for the development except pulp and paper. I have a chart there. The book was published by people very much opposed to Hydro and you can verify it. That is the Thunder Bay chart as compared with Hydro. I have verified it so far as we are concerned, and what it is based on.

THE CHAIRMAN: Q--According to that, you are about four times as great up there? A--Yes, and then we are not densely populated. Looking at that, Mr. Chairman, we might go up for a while with this power being used for pulp and paper,

but we know the life of the pulp and paper industry is not perpetual, in some cases it is not very long. Then if we do get up, we may go back quickly and have the load thrown back on us.

COMMISSIONER HARRIS: Q--Your diversity load would be growing all the time? A--Yes; one pulp and paper industry would take as much power as the two cities. Thatload is thrown right back on our hands.

Q--It would not be thrown back on your hands? A--What would you do with it?

Q--It will be absorbed by your municipal load? Your municipality will grow? A--Not at that rate. We have 35,000, and one good load for one pulp and paper industry would practically take care of it. What do you think your per capita power is in Toronto? Is it one-half per person?

Q--You have not any vision at all on this thing?

A--You have 500,000 or 600,000 people in Toronto; we have three to one, and I do not think you have one-half to one person.

THE CHAIRMAN: We have about one-tenth.

WITNESS: And ours is three to one.

THE CHAIRMAN: Q--Mr. Alsted tells us this might last forever if it is properly conserved? A--Mr. Alsted said at the same time there cannot be too many of these industries there or it won't last.

Q--On the limits he has? A--You won't get many more limits like he has.

COMMISSIONER J.A.ROSS: Q--Are not you optimistic enough to believe in what might happen; in ten years from now you will have three or four times the population? A--That would not be enough on that capita.

THE CHAIRMAN: Q--I believe you will live to see the day

when all the power that can be produced by Nipigon will be consumed by the two cities? A--You are trying to put me in an awkward position.

COMMISSIONER HARRIS: Q--I think you will want all the power on the Nipigon and the Kam?

A--Not with my money behind it.

Q--I think you ought to move? A--I am placing myself on the per capita consumption.

Q--You should have got on to this per capita basis before you voted on this thing? A--Hydro was only to develop what we wanted for our own needs.

Q--We are trying to help out the situation.

A--I expect you have that in mind. You have the chart and you can verify it yourself.

HON. E.C. DRURY.

THE CHAIRMAN:

Q--About a year ago the Province of Ontario rendered a statement to the Hydro Commission claiming interest at 6.02 per cent upon the money extended in the Nipigon development. It appears that according to Mr. Gaby's evidence that the Commission instead of paying that amount made up the interest on the basis of five percent and they say the reason they did so was that they had an interview with yourself and other members of the Government, and that the Government stated there that it would accept five percent instead of 6.02 on that money. Have you any recollection of such an interview? A--I have a redollection of a proposition being made in January of 1920, at which time the Government was anxious, to somehow or other get a contract from the Hydro by which the Great Lakes Company could proceed with their development, and at one of the conferences, I could not be sure who was there, but I know I was there and that Sir Adam Beck was there, and the proposition was made, in a casual manner by Sir Adam Beck pretty much in these terms; He said "If we give a contract at a fixed rate, and an enforceable contract, could the Government consider a fixed rate of five per cent for the money used in our development?" And the discussion went no further than that, there was no understanding reached, there was no undertaking given by the Government.

Q--Was there any promise made by the Government?

A--I think it was spoken of merely in a casual manner, it might be considered; as a matter of fact it never was considered by the Government because in the first place I knew it was unsound financially. The Province at large could not be expected to carry loads in any part of the Hydro development, and in the second place it was contrary to the Power Commission Act of 1914. If there had

been any consideration the first step for it would have been preparation of legislation which would have amended sub-section 1-A of section 15 of the Power Commission Act.

Q--The Government had no power? A--No, the Government have no power.

Q--And it went no further than that? A--No, it went no further than that.

Q--Does the difference between five per-cent and 6.02 per-cent still stand on the books of the Government?

A--On the books of the Department, I understand so.

Q--Against Hydro? A--Yes.

Q--It is a liability? A--It is a liability.

Q--To the Government? A--To the Government.

Q--And you have so treated it? A--We have.

Q--Has there been any correspondence between the Government and the Hydro on the matter of rates?

A--No, It was mentioned as I said sometime in January, I think, of 1920, at which time the Government was trying to get some sort of contract so that development could proceed. It was never mentioned again, and never considered again.

Q--In arriving at the annual payment to be made by the Commission to the Government, interest should be computed at 6.02? A--In the terms of the Act, and I am informed that in 1920, the year in question money cost 6.02, so that it should be computed at that rate.

Q--The rate, I suppose, has not been fixed for the present year? A--I think not.

COMMISSIONER HANEY: Q--I think the Act provides that the rates shall be fixed by the Lieutenant-Governor in Council? A--On the recommendation of the Treasurer.

W.W. POPE

Q--Mr. Gaby said you were present at this interview in which it was stated the Government agreed to make a rate of five per-cent interest instead of 6.02?

A--So I understood.

Q--When was that? A--It was when the Great Lakes contract was being spoken to, it was stated that the price would be fixed on the Government taking five percent.

Q--Was there an understanding with the Government?

A--I understood that would be the price it would be figured on.

Q--You knew yourself that the Government had no power to do that? A--The Lieutenant-Governor in Council can do that.

THE HON. MR. DRURY: No. no. "The Commission shall pay the Treasurer of Ontario annually interest on the indebtedness of the Commission to the Province for moneys advanced to the Commission by the Province as may be from time to time determined by the Lieutenant-Governor in Council as sufficient to reimburse the Province the full amount of interest paid by the Government on moneys raised for the purposes of the Commission and the charges incurred by it in providing such money" So that the Government has no option.

COMMISSIONER R.A. ROSS: Q--These issues were made for the general purposes of the Government? A--Yes.

Q--Were they long-term issued? A--I would not care to answer that.

COMMISSIONER HARRIS: Q--Was that being considered in connection with the application? With the desire of the Great Lakes to have an enforceable clause introduced.

MR. POPE: That was up at the same time the price was under consideration.

[illegible]

[illegible]

[illegible]

[illegible] 1 - Plans on the Government taking five percent.

Question - Is to an under-taking with the Government?

A--I understand that would be the plan if it would be figured on.

Q--You have [illegible]

[illegible]

The MAR. DR. DOUGH: No, Sir. "The Commissioner shall by the Treasurer of Canada annually interest on the interest income of the Commission in the Province for manage expenses to be determined by the Province or may be from time to time determined by the Lieutenant-Governor in Council, or sufficient to reimburse the Province the full amount of interest paid by the Government on money raised for the purposes of the Commission and the expense incurred by it in providing such money" So that the Government has no option.

[illegible]

for the general purposes of the Government? A--Yes. Question then [illegible] Answer? A--I would not care to answer that.

Q--MR. [illegible]: Question that below come here in connection with the application? With the source of the [illegible] to come on automatically, [illegible]

MR. [illegible]: That was my at time the [illegible]

Q--That was the matter that was being discussed?

A--A fixed price and an enforceable contract. They objected to the price and the interest was discussed in fixing the price.

Q--The enforceable contract was never made, in fact no contract was over made? A--Never signed, but there was a contract made.

Q--You could not base a rate of interest on a contract that was never signed? A--It was discussed.

THE CHAIRMAN: Q--Even on your showing should the rate of interest be fixed as if the contract had been entered into? A--Trying to fix the price for power and this was one way of fixing the price,

MR. ALLSTEAD:

THE CHAIRMAN: Q--Were you present on this occasion?

A--Yes sir, I was present. I think it was early in 1920 and my recollection of what took place is substantially as Mr. Drury has stated. We had a good many conferences at that time with regard to this contract, and the question was asked the Government as to whether the rate would be made five per cent, --whether the rate was five per cent or four and a half percent, --whatever amount it was, the Government said they had no power to give a fixed rate to the Commission.

COMMISSIONER R.A. ROSS: Q--Is not this the possible explanation; the people who were discussing this matter were not then discussing the question that we have before us to-day, the matter of fixing a general rate, but they were discussing a rate for power to be fixed, to extend over a period of 42 years. Is not it reasonable to expect that a rate of 6.02 should not be continued over 42 years?

THE CHAIRMAN: It was never contemplated it should

continue for 42 years, it is fixed annually.

COMMISSIONER R.A. ROSS: This was a fixed contract.

MR. POPE: A fixed price.

THE CHAIRMAN: You could not fix the interest at 6.02 per cent for 42 years because five years from now it will be considerably less.

MR. ALLSTEAD: Or more.

THE CHAIRMAN: The tendency is downward.

COMMISSIONER R.A. ROSS: Is there a possibility of a misunderstanding?

THE HON. MR. E.C. DRURY: My recollection is that the question was put more jocularly than any other way. We were pressing for some sort of rate on which development could proceed and the question was brought out more or less as to whether it could be considered in that way.

COMMISSIONER HANEY: You were trying to get a customer for this power.

HON. MR. DRURY: Yes. Sir Adam Beck said for Hydro "If you could give us a fixed rate we could meet you". He suggested that, I think, jocularly, I took it in that way, at least.

THE CHAIRMAN: I have in my hands a letter written by Mr. Matthews, the Mayor of Port Arthur.

HON. MR. DRURY: That is in January, 1920;

THE CHAIRMAN: Yes. Will you arrange, Mr. Pope, to have Sir Adam Beck here at 10 o'clock to-morrow morning?

MR. POPE: That is some contract.

THE CHAIRMAN: We are here to make some contract.

COMMISSIONER HARRIS: Does he desire to appear?

MR. POPE: I cannot say.

THE CHAIRMAN: We notified you last Thursday that we wished the members of the Commission, and officials, to be present.

MR. POPE: You did not mention the Commission.

MR. HANEY: Yes, we did.

MR. POPE: I never saw the letter.

THE CHAIRMAN: We want you to be here to-morrow morning, and also Sir Adam Beck.

MR. POPE: I do not know what his engagements are.

THE CHAIRMAN: If Sir Adam Beck had been here to-night we probably would be able to close it up.

Adjourned at 5.p.m. until 10:30 a.m., 4th October, 1922.

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